



solution

result...

Sometimes the paint thinner is the cause of a poor paint job. For three decades, master painters have relied on Hercules Pure Spirits of Turpentine as a paint thinner made to highest chemical standards. Hercules Turpentine was the first to be packaged for your protection of purity and uniformity. You can buy the familiar orange-and-black container of Hercules Steam-distilled Wood Turpentine in leading paint and hardware stores.





# Prewar B. F. Goodrich tires still rolling every day

A typical example of B.F. Goodrich improvement in tires

THE tires you see here were purchased before the war and have been in constant use ever since. They are on a truck owned by Fessenden Hall, plywood distributors in Philadelphia.

Here's what Frank Trotman, President, says about these Store Door tires: "This truck is constantly on the go with heavy loads of plywood. Service is tough because of the loads and stopand-go driving. One set of Store Doors, which we bought before tires got scarce, lasted us throughout the war; and we're still running on them."

No wonder this truck operator is now buying new, improved Store Doors recently announced by B. F. Goodrich.

These tires have a tread 37% thicker than regular truck tires—a flatter tread with almost one-fourth greater contact area. They are specially designed for trucks operating on paved surfaces with standard loads at ordinary speeds. Under these conditions they turn in amazing mileage records.

Store Door Silvertowns have deep cut ventilating grooves, a new type sidewall design to resist cracking and an all rayon cord body protected, in large sizes, by a nylon shock shield. This new high mileage tire is a typical example of B.F.Goodrich constant improvement in truck tires. Improvement based on continuing research and developmental work. Before you buy truck tires ask the local B.F.Goodrich dealer about the latest improvements in tires for your type of service. The B.F.Goodrich Company, Akron, Ohio.

Truck Tires as B. F. Goodrich

# How Many Millions Does He Have?



He doesn't have any millions—not even one. He only *looks* like a millionaire—as do millions of other average men with average incomes in America.

But in Europe or Asia, a man couldn't look this way—couldn't dress this way unless he were a millionaire.

How do Americans get this way? What have we got that the rest of the world lacks? Land? Resources? Manpower? All countries have these to a greater or lesser degree.

But what America has, and they lack, is Freedom — Freedom of enterprise.

We have more and better clothes for the same reason we have more automobiles and refrigerators. The reason is that American manufacturers work in a *free climate*—free to *compete* for the favor of the American public which, in turn, has *freedom of choice*.

Burlington Mills became one of America's biggest producers of textiles because it made finer fabrics for less money. Millions of Americans are better dressed for less money because Bur-Mil was free to work out its own destiny.

Millions of American homes are more richly decorated because Burlington is free to do new things in new ways.

If anyone asks us our formula for success, we will, in simple truth, have to reply: "First live in a free land."



EXECUTIVE OFFICES, Greensboro, N. C.

Makers of . Women's Wear Fabrics . Men's Wear Fabrics . Decorative Fabrics . Cotton Piece Goods and Yarns . Hosiery . Ribbons



## Who Pays for Telephone Expansion?

#### INVESTORS DO

They invest in telephone bonds and stocks and we use the money to build new telephone facilities.

On the other hand, the money you pay us for telephone service is used for wages, taxes, depreciation and other operating costs.

So when you read about the millions of

dollars we are putting into our expansion program — or see a new building going up — it is good to be able to say:

"Thanks, Mr. and Mrs. Investor. Thanks for putting up so much money so we can have so much more and better telephone service."

That's the way it happens.

BELL TELEPHONE SYSTEM



# QUALIFIED

TO SERVE MANAGEMENT



Since the George S. May Company was organized in 1925, it has handled business engineering jobs in every field of industrial activity.

This background of experience, gained by years of successful service to American and Canadian business qualifies us to serve you better.

- Cost Reduction
- Production Control
- Wage Incentives
- Plant Layout
- Market Analysis
- · Sales Planning

YOU'VE GOT TO SPEND MONEY TO MAKE MONEY

**GEORGE S. MAY COMPANY** 

The World's Ginest Business Engineering

840 N. Michigan Avenue Chicago 11 122 E. 42nd St.

291 Geary Street San Francisco 2 660 St. Catherine Street, West Montreal, Quebec, Canada

OFFICES IN OTHER PRINCIPAL CITIES



PUBLISHED BY

#### CHAMBER OF COMMERCE OF THE UNITED STATES

JUNE, 1948 No. 6 VOL. 36 8 NB Notebook 17 Management's Washington Letter TRENDS OF NATION'S BUSINESS 21 The State of the Nation Felix Morley The Month's Business Highlights Paul Wooton Edward T. Folliard **Washington Scenes** There is Still Time to Stop Inflation Joseph A. Schumpeter 33 The former Austrian finance minister learned the hard way Where Pandemonium and Politics Meet Junius B. Wood 36 Where band wagons are built with broken hearts and tired feet Banker to a Promised Land Edward B. Lockett 39 The World Bank is no Operation Rathole under McCloy Shall We Open Our Gates Again? C. Lester Walker 42 Population is not the only answer to national strength "That Burns Me Up" is not a Wisecrack Herbert Corev 45 Temper, like your bank account, can be overdrawn Science Fears an Iron Curtain Karl T. Compton 47 Research is not a one-way street to progress So You'd Like to Have a Phone Don Wharton 50 Mr. Bell never dreamed of such a busy signal **Bull Market in Mortar Boards** Homer H. Shannon 53 College grads don't start as office boys today New Leaders of the Chamber 58 Aid for the Color Blind Peter J. Whelihan 68 Wasting Our Way to Progress Herbert Heaton 76 We've been wasteful with everything except time and labor Narvo Wumnd Lyadi Lawrence Galton 82 Odd Lots Reynolds Girdler 92 On the Lighter Side of the Capital 96

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### Fish Bite for Executives, too



#### New Hampshire

"Where there's a Plus in every pav envelope"

Relaxation means as much to the boss as to anyone else! New Hampshire's worldfamous recreational areas offer both employers and employees unlimited opportunities for healthful pleasure during hours of leisure. This "plus" of good living, so conducive to high plant efficiency, is appreciated in the front office, too. Those who live well . . . work well!

The ideal nature of New Hampshire as a home for small and medium sized industry is further emphasized by low power rates, fine transportation to important markets and an excellent highway system kept in top condition the year round.



informative booklet, "A Plant in New Hampshire." Address: Merrill J. Teulon, Industrial Director, 305 State Office Building, Concord, N. H.



Where there's a Plus in every pay envelope

If more convenient, you may address: New Hampshire Information Bureau, 10 Rockefeller Plaza, New York 20, N. Y.



N actual dollars and cents a Stromberg-Carlson Natural Voice Paging System can be one of the best investments you make. It will pay for itself in an amazingly short time. A natural-voiced messenger which moves with the speed of light to any spot in the plant, this system provides almost instant location of personnel.

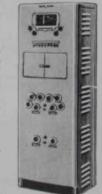
IT'S DIRECT-It seeks out the man you want, wherever he is, without interrupting the work of others. It eliminates costly wasted time.

IT'S TO THE POINT-It can provide clear, detailed instructions in an emergency or for routine work . . . to one man or a whole crew.

IT'S VERSATILE-It can be used for spot

paging or for plant-wide announcements, for production-boosting work music if desired.

Look for the name of your Stromberg-Carlson Sound System distributor in your classified telephone directory . . . or write for complete information to Dept. NB6, Stromberg-Carlson, Rochester 3, N. Y.





#### STROMBERG-CARLSON

URAL VOICE SOUND SYSTEMS

## About Our AUTHORS

T seems JOSEPH A. SCHUMPETER collects inflations as another man might collect stamps. He has studied them, lectured about them, written about them and even

wrestled with one personally. That was in 1919-20 when he was minister of finance of the newly formed Austrian Republic. Lively overtones of revolution combined with inflation to



make that post particularly stimulating.

Resigning from the cabinet, Dr. Schumpeter mixed banking with political activity until 1925 when he returned to his first loveteaching. He was on the faculty of the University of Bonn in the Rhineland until 1932 when he came to Harvard University as a professor of economics.

AS a reporter, EDWARD B. LOCKETT knew John J. McCloy when he was assistant secretary of war. When the latter returned to Washington as head of the World Bank, curi-



osity led Lockett around to call and to inquire. Our article is the result. A former White House correspondent for a weekly news magazine and a writer of radio and indus-

trial movie scripts, Lockett has recently turned to free-lance writing.

DESPITE the press of administrative duties as president of Massachusetts Institute of Technology, KARL T. COMPTON finds time to keep in close touch with developments in the field of science and to be an active member of most of the country's scientific societies, and to serve on various government missions and commissions. These have included chairmanship of the Research Board for National Security; membership in the secretary of war's special advisory committee on the atom bomb and chairmanship of the joint chiefs of staff's evaluation board on the atomic bomb test.

A NEWCOMER to NATION'S BUSI-NESS is HOMER H. SHANNON, author of "Bull Market in Mortar Boards." Shannon, who has been free-lancing since his release from the Navy three years ago, has been digging into the way industry recruits its collegiate help. He found a new trend in college graduates' thinking. Shannon makes his home in New York.

NOW one of the most successful magazine writers in the business, DON WHARTON started his journalistic career as a reporter for the Greensboro (N. C.) Daily News. Early in the 1930's he switched from newspaper to magazine work and has since served on the editorial staffs of such publications as The New Yorker and Scribners. Today, most of his time is given over to research for his writing.

SINCE 1921 when he got his D. Lit. by turning out a history of the Yorkshire woolen cloth district where he was born, HERBERT HEATON has been studying and

teaching economic history. first in Great Britain, later in Australia. In the '20's he became head of the department of economics and political science at Queen's Univer-



sity, Kingston, Ont. He left this post some 20 years ago to become professor of economic history at the University of Minnesota. At present he is piecing together the story of the migration of commercial skill, practices and capital to America and their fusion with the native-born business community.

THE COVER PAINTING is another by CHARLES DE FEO, who has been one of America's foremost illustrators for more than a quarter of a century. He is a consultant to many well-known illustrators and an authority on color and the painting methods of the old masters. As a boy, he studied in Wilmington under Howard Pyle, author and illustrator. Not all De Feo's time is spent at his easel, however. When time permits, he sneaks off to go salmon fishing. From all accounts, he's an expert.

# Let's Try to Stop Rising Costs

In an endeavor to aid in halting further advances in living costs, U.S. Steel decreased certain steel prices on May 1, 1948, to the extent of \$25,000,000 annually, these price reductions being applicable so far as possible to steel products related to the cost of living.

Announcement of these price reductions was made on April 22, 1948, concurrently with the denial by U.S. Steel of the request of the United Steelworkers of America (CIO) for a "substantial wage increase."

United States Steel believes that costs and prices in general are too high for the good of the nation. It shares the firm conviction that American industry and labor should cooperatively do everything in their power to avoid further increases in costs, which, if permitted to occur, must result in higher prices for almost everything we buy. Certainly the best interests of all of our people will not be served by a further lowering in the purchasing power of the dollar.

We are hopeful that our action in reducing the prices of a number of steel products associated with the cost of living may have a beneficial effect throughout the nation and may be helpful in bringing about an early stabilization or reduction in the cost of living. If this should prove to be the outcome, everyone in this country will benefit. If, on the contrary, costs should continue to advance, then in fairness to our employees and to our

stockholders we will have to consider at some later date the adequacy of both wages and steel prices under then-existing conditions.

Our answer to the Union was that the granting of its request for a "substantial wage increase" will not in the long run bring benefit to anyone, as it will lead to similar substantial wage increases in other industries and to higher prices generally. Such a wage increase would make necessary a general advance in our steel prices. We are unwilling so to increase steel prices at this time, as we believe this would be contrary to the best interests of the nation.

The Union's demand for a "substantial wage increase" was based on increases in the cost of living. The index of the Bureau of Labor Statistics, U. S. Department of Labor, records an increase of 67.2% in the cost of living between 1940 and February, 1948. During that same period, average straight-time hourly earnings of our steel workers rose 73.3%; their average actual hourly earnings advanced 81.3% and their average actual weekly earnings advanced 91.7%. These advances are substantially in excess of the increase in the cost of living during that period.

If there is to be a halt in the surge of rising costs, there must be full and effective cooperation to this end on the part of *every* segment of our economy.

### UNITED STATES STEEL

### 4 REASONS IT PAYS TO X-RAY!

- Increased Efficiency
- 2. Reduced Absenteeism
- 3. Better Employee Morale
- 4. Improved Employee Relations



Send for FREE Powers Booklet

Find out how Powers can x-ray your employees—quick-ly, inexpensively, without dis-turbing plant routine. Write for the Powers booklet "Health Protection Through X-Ray."

#### POWERS X-RAY PRODUCTS, Inc.

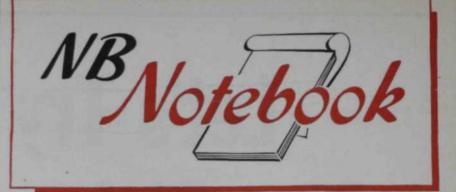
Glen Cove, L. I., N. Y.

Group Radiography



the Sun Life Assurance Company of Canada gives unequalled service to its 1,500,000 policyholders from offices situated in strategic key centers around the globe.





#### Getting there

THE "Song of the Open Road" is chanted by the happy motorist, as a rule, only as long as the open road is the right road. To keep him singing, some 150,000,000 road maps a year are distributed to the country's 30,000,000 car owners.

It was around the turn of the century, according to the Ethyl Corporation, that the first quaint road charts appeared. They were adaptations of the maps used by cyclists. Guidebooks helped, too, and there were other maps which were rolled up on cylinders and attached to dashboards. Some were even printed on balloons, which were inflated when needed.

Now the work of preparing road maps is almost an exact science, though a tremendous amount of checking will be required this year because of overdue highway building and repairs. Three of the pioneers in the field control 90 per cent of the road maps published and the oil companies distribute most of the maps.

#### Economic necessity

THE Rockefeller Foundation last year made the largest grant it has ever made in the field of economics -\$1,300,000 to the National Bureau of Economic Research, which will carry through to 1954. The Bureau, 28 years old, aims at objective thinking and research in economics, and the Rockefeller boards have assisted since 1923.

Two important considerations led to the grant for another six years, Dr. Raymond B. Fosdick, president of the Foundation, explains in his annual review.

First, a wise management of our economy-one that will moderate the swings of economic life-is perhaps the prime necessity if America is to win through to inner strength and stability.

Second, such a result is equally

important if the role of this country in international relations is to be positive, sustaining and depend-

"These objectives are not separate," Dr. Fosdick asserts. "They are opposite faces of the same whole. They cannot be realized if this country does not understand the nature of its myriad economic processes and the means of conserving their health and productiveness."

#### Cutting the grapevine

RUMORS can play hob with a business as well as a countryside. How to catch up with them seems to have been solved by a leading company in the electrical field.

The management operates a "rumor box" and employes are invited to put in questions that sprout from the plant "grapevine." The manager posts the answers to both signed and unsigned queries on the bulletin board.

Some typical questions calculated to stir anxiety and lower morale concern reports of prospective layoffs, pay differentials, transfer of production, etc.

The rumor box eventually may jump into as much favor as the suggestion box, and with equally good results. Certainly it provides an excellent means of finding out "what the men are thinking about."

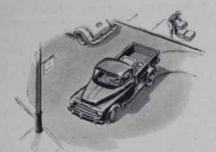
#### Share shoppers, too

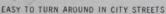
IT WAS discovered some years back that, although men collected most pay envelopes, the women were spending better than 80 per cent of the proceeds. Product design, advertising and marketing shifts promptly followed this discovery.

Now it is interesting to find that the women go shopping for shares in our leading industrial com-General Motors breaks panies.

# NEW Ease of Handling REALLY NEW!









EASY TO MANEUVER IN NARROW QUARTERS



EASY TO HANDLE ON "TOUGH" LOCATIONS

#### Read why Dodge "Job-Rated" trucks are easier to handle!

You can swing around in narrower streets. You can "jack-knife" into alleys or up to loading platforms with *much* greater ease! You get this greatly improved maneuverability from an entirely new front-end chassis design.

Turning diameters are shorter, the same both

right and left, because of new "cross-steering," with shorter wheelbases and wide tread front axles.

Front axles have been moved back, engines forward, placing more load on front axles. Cab-to-axle dimensions remain the same, with shorter wheelbases. You get much better weight distribu-

tion; you can carry increased payloads, too. This new weight distribution, with longer springs, produces a marvelous new "cushioned ride." See, in chart at left, how Dodge compares with competition in many important features.

Step into the new "Pilot-House" cab of a Dodge "Job-Rated" truck, and drive! You won't find equal maneuverability, comfort or vision in any other truck!

# Read this 10 Point Comparison, too!

FEATURES AND ADVANTAGES	DODGE "Job-Rated" TRUCK	TRUCK	TRUCK	TRUCK "C"	TRUCK "D"
Wheelbase	152 in.	161 in.	158 in.	159 in.	161 in.
Cab-to-Axle—to take 12-foot body	84 in.	84 in.	84.06 in.	84 in.	84 in.
Wide-Tread Front Axles (shorter turning-more stability)	62 in.	56 in.	60.03 in.	58% in.	56 in.
Modern "Cross-Type" Steering	Yes	No	No	No	No
Turning Diameter * -LeftRight	50½ ft. 50½ ft.	61½ ft. 61½ ft.	60½ ft. 54½ ft.	54½ ft. 54½ ft.	66½ ft. 66½ ft.
Maximum Horsepower	109	93	100	93	100
Total Spring Length (Front and Rear "Cushioned Ride") †	194 in.	171% in.	162 in.	176 in.	182 in.
Cab Seat Width (Measure of Roominess) ‡	571/4 in.	52¼ in.	51½ in.	47½ in.	52¼ in.
Windshield Glass Area ▲	901 sq. in.	713 sq. in.	638 sq. in.	545 sq. in.	713 sq. in.
Vent Wings plus Rear Quarter Windows	Yes	No	No	No	No

\* To outside of tire (cuts clearance) Computed from data based on tests or computations obtained from usually reliable sources. † All four springs. † Measured from production models. • Computed from width and depth measurements; no allowance for contours.



and remember ...

ONLY DODGE BUILDS JARGE TRUCKS



#### She holds a freight train in her hands!

AT HER FINGERTIPS, this young lady has a complete record of an Erie freight train.

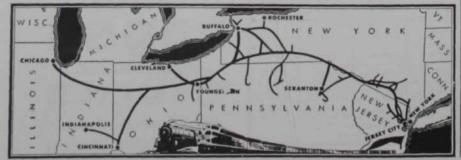
The teletype tape she holds tells the car number, contents, consignee and destination of every car in the train. Placed in an automatic transmitter, it flashes this detailed information to other Erie offices and freight yards.

Because of this fast, modern method of communication, an Erie representative can tell a shipper promptly where his car is, and when it is due at destination.

The Erie's teletype network has constantly been expanded, and now includes cities far beyond the limits of the railroad. At present a total of 5,246 miles is covered by this system, and plans are in progress for further expansion.

This network plays an important part in expediting service to customers. It is typical of the Erie's continuing program of improvement through progressive railroading.

## Erie Railroad



down individual ownership of its shares to 55 per cent for women and 45 per cent for men. Eastman Kodak Company reveals in its 1947 report that women own 30.4 per cent of its stock. The second largest holders with 24.3 per cent are banks, brokers, corporations and nominees. Men come third with 20.7 per cent.

United States Steel Corporation has about six per cent more men than women as stockholders.

Those company reports will have to rush up the feminine touch pretty soon! Kodak isn't waiting. It prints a full page illustration in color of a luscious hostess gown made of Koda, its acetate yarn.

#### Salesmen boosted

SELLERS' markets which prevailed so widely from the end of the war until a short while ago, probably exerted some influence upon the earnings of salesmen. When goods sell themselves, the work of the salesman might be rated less important.

However, a survey by the National Industrial Conference Board shows that there were fair increases from 1946 to 1948. More than half of the reporting companies indicated that earnings jumped from six to 20 per cent over the two-year period. The largest group made known an increase of from 11 to 15 per cent.

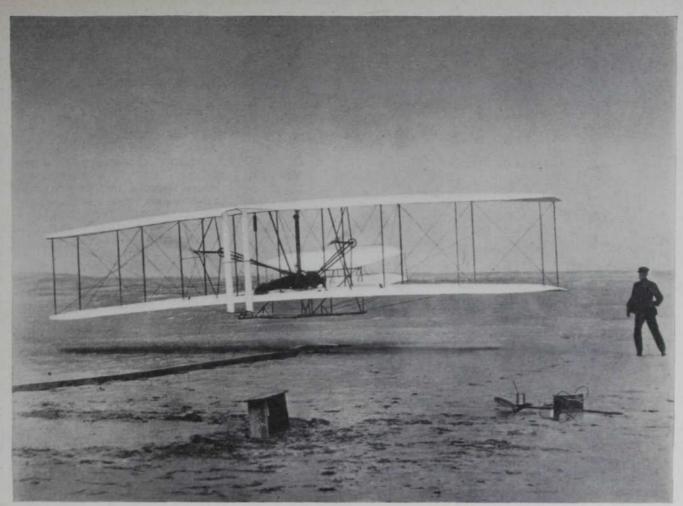
One point brought out in the latest study is that the popular automobile mileage allowance has been raised to six cents from five cents. Almost 20 per cent of the companies covered by the survey are now paying seven cents when their salesmen "step on the gas."

#### Coal figures

WITH another coal contract coming up, the bituminous operators are wondering if they haven't nearly reached the limit of granting wage increases and other benefits. Last year the profits of some 24 companies jumped 67 per cent over 1946 and their return on net worth advanced to 12 per cent from 7½ per cent. However, those results stemmed from record tonnage.

A study by the Bureau of Labor Statistics on productivity and unit cost on the bituminous coal mining industry for the period 1935-46 shows the output per man hour jumped from an index of 82.4 to 112.3 over that period. Unit labor cost, however, rose from 98.2 to 155.4.

Mechanization can do great



(Brown Brothers photo of the Wright Brothers' first flight. Kittyhawk, N. C., December, 1903.)

## Nothing ventured... nothing gained!

No one guaranteed the Wright Brothers that their "box kite" airplane would fly...but it did! No one could be certain that the years of planning, the hopes and dreams, the effort, the hardearned dollars would pay off in achievement...but they did!

Once again, man's willingness to venture had paved the way for progress.

In a free land such as ours everyone plays a part in one venture or another. Some contribute ideas—men like the Wrights, Edison, Bell, Steinmetz, De Forest. Some carry out ideas—the managers and workers. Some

provide the necessary money for tools, factories, raw materials and wages—the investors.

Of all these, the role of the investor is least known, least understood. The individual who sets aside part of his income for investment in industry is but one of millions of similar risk-takers, scattered through all walks of life, unorganized and unrecognized. Yet, without the venture dollars provided by these thrifty citizens, the nation's production of goods could not increase, its standard of living could not rise.

The New York Stock Exchange,

as the nation's principal market place for investors, believes there is urgent need for a governmental policy—particularly a tax policy—that gives every individual an opportunity to save, and an incentive to put his surplus dollars to work for the benefit of all our people.



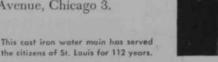


#### by land and by water

Cast iron pipe is on the move! To supply the greatest peacetime demand for this long-lived pipe in the history of water, gas and sewage works construction. Despite raw material shortages, the cast iron pressure pipe industry achieved in 1947 one of the biggest years in its history in footage produced, and has recently added to footage capacity.

No other pipe used for underground mains has ever approached

cast iron pipe's record for long life in the public service. For example: 96% of all cast iron water mains (6-inch and over) ever installed in 25 representative cities since 1817 are still in service. This remarkable record was disclosed by a recent official survey conducted by water works engineers. It is expert evidence of the unequalled long life and economy of cast iron pipe. Cast Iron Pipe Research Association, T. F. Wolfe, Engineer, 122 So. Michigan Avenue, Chicago 3.





CAST IRON PIPE

SERVES OF CENTURIES

LOOK FOR THIS MARK

IT IDENTIFIES CAST IRON PIPE

things in lifting man-hour productivity, but payrolls cannot climb forever without wiping out gains and endangering the competitive position of an industry.

#### Robot selling

SELF-SERVICE retailing has jumped ahead rapidly, especially in the food lines where the supermarkets thrive. The Grey Advertising Agency, New York, noting the growth of robot merchandising also notes that advertising appropriations have not kept pace. The agency bulletin points out that there is far greater need of "preselling" in these circumstances and yet advertising volume in relation to production volume decreased 21 per cent from 1939 to 1946.

The agency contention is that "it is almost impossible to build strong consumer demand in fields that are advertisingly competitive on lines that are not unique, with budgets that run, roughly, under \$250,000."

#### Metal cake

POWDERED metal got a big boost in the war. Micrometers and other precision instruments were mass produced within a few weeks when shortages threatened to hold up vital machine tool expansion. A gun-sight bracket that took two hours to machine was turned out in 40 seconds.

A. J. Langhammer, president of the powdered metal division of a large automobile manufacturer, who pioneered the new science, sums up the process by saying "it



is much like baking a cake." Finely powdered metals, iron, copper, brass, aluminum and lead are blended for special qualities and then compressed in molds under pressures as high as 2,000 tons. Then they are baked. The finished items can be made to an accuracy of one thousandth of an inch and as strong as tool steel.

The household vacuum cleaner needs no oil because a porous bearing made of metal powder carries its own lubrication, which is released by friction and heat. The self-lubricating bearing was first perfected in 1927 for an automobile clutch.

From this start Mr. Langhammer's concern makes some 25,000 kinds of products. The potentials of powder metallurgy are just beginning to be known, he says.

#### Home owners

THE percentage of owner-occupied dwellings has finally passed the half-way mark. The housing shortage has had a great deal to do with it because sales rather than leases are often preferred. In 1947 the ratio of owners to renters was 55 per cent, according to the Census Bureau. There were 39,-100,000 occupied dwellings of which 21,300,000 were owner occupied.

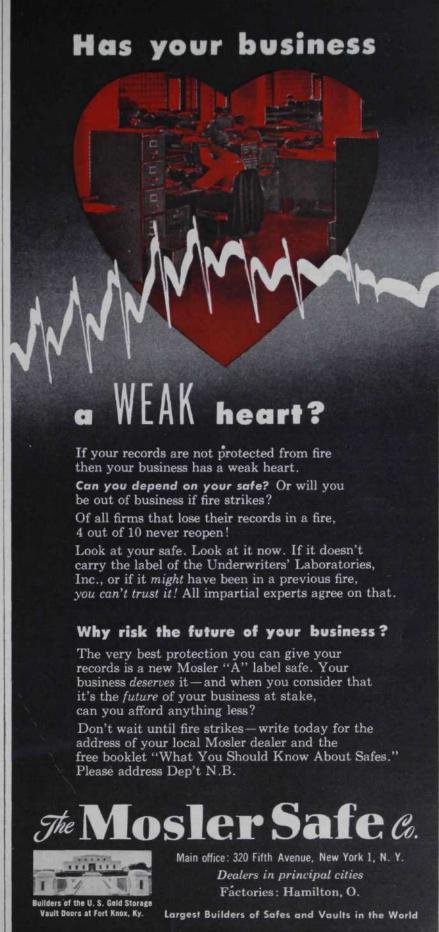
Back in the '90's the ratio was 48 per cent but by 1940 the percentage had slipped to 43.

Trade interests have a stake in the new trend because usually more money is spent on furnishings and other requirements when the home is owned. As far as it is known, there has been no study to find out how the household purchases vary in sections where the owner occupancy is high in relation to other areas but probably some sharp differences would be revealed. The gardener, for instance, may skimp on clothes but rarely on bulbs.

#### Britain on the move

TRADITION is suffering rude shocks in Britain as the great export drive moves on. A shoemaker no longer sticks to his last—to the last. He switches to something else if that seems more promising.

Thus, the De La Rue companies at Newcastle-on-Tyne are making gas heaters and laminated plastics. The laminates are selling in nearly every country, it is claimed. Formerly, the companies were famous for playing cards, fountain pens, bank notes, postage stamps and greeting cards.



The better you live, the more oil you need ...

# A report on the most useful year

In this country and through the world, human progress calls for more and more oil. To do their part in meeting the great need for oil in 1947, Standard Oil Company (New Jersey) and its affiliates performed the biggest job in their history. They produced more oil and delivered more products; took in and paid out more money; employed more workers and served more people than ever before. And far more than ever was spent for facilities to meet growing needs – 426 million dollars in a single year, paid for out of past and current earnings of the business. It was a year of great accomplishment; great progress. Here are some highlights from this significant year, based on the Company's Annual Report to its 171,000 stockholders...

1 World-wide, the need for oil surpassed all records. To help meet the need, crude oil production by Jersey Company affiliates was increased 8% over 1946, setting another new record. Their production was 14% of the world's total for the year.

2 In the U.S., too, the need was at record levels. Three million more cars to fuel than pre-war; twice as many tractors and trucks on farms; a million and a half more oil-heated homes; five times as many diesel locomotives. Total U.S. consumption of oil products was 11% greater than 1946, 12% greater even than the peak war year. In meeting this need, we set new output records month after month, accounting for 9% of U.S. total crude oil.

3 The unusually hard winter made heating oil and kerosene supply a special problem. By extraordinary effort in refineries and hard work and long hours by people all along the line, we were able to deliver about 25% more of these products than in the winter before.

4 With such big demand, big supply, and rising prices, money came in—and was paid out—in all-time record figures. Total dollar income reached \$2,387,000,000—45% over 1946. Operating charges and other deductions from income reached \$2,118,040,000—44% over 1946. A record sum of \$466,954,000 was paid to our employees.

#### STANDARD OIL COMPANY

AND AFFILIATED

# biggest, hardest, we ever had!...

5 Net consolidated earnings of the Company and affiliates — \$269,000,000 — equalled \$9.83 per share, or 11.3% of total income as compared to 10.8% in 1946. Dividends of \$4.00 per share were paid by the parent Company.

6 Most important dollar figure of the year was the 426 million dollars spent for new wells, plants, tankers, pipelines and all the other things it takes to get the oil you need. Part of a billion dollar program covering the two years 1947-48, it was by far the greatest capital investment we have ever faced. The money came almost entirely from earnings, past and current — money made on the job went back into the job.

7 Transportation of oil was a big job. During the year, we bought 23 ocean-going tankers from the U.S. Maritime Commission, and early this year we ordered 6 new 26,000-ton, 16-knot ships, the largest we ever operated. Pipelines were pushed to new records—our trunk lines delivering 83 billion barrel-miles, or 11 billion more than in 1946.

8 In discovering new oil, we spent 5 times as much as pre-war — 16% more than last year. (Altogether, the country's known oil reserves were increased by 600 million barrels during the year, in spite of record consumption.)

9 Cost of research also increased — \$18,200,000 was spent for new knowledge. Considerable progress was made in finding more efficient and

lower-cost processes for making gasoline and other liquid fuels synthetically from natural gas, oil shale, and coal.

10 Labor-management relations remained excellent, continuing our exceptional record of industrial harmony. Employee compensation was adjusted upward during the year to help meet rising living costs. A total of \$55,396,000 was saved in employee Thrift Plans, of which \$20,987,000 was saved by employees and \$34,409,000 contributed by the Company and its affiliates.

HE 1947 JOB WAS A BIG ONE. The jobs ahead are bigger still. In a democracy the responsibility for making a better world rests with the individual and the individual enterprise. It is clear that an enterprise like Standard Oil Company (New Jersey) must exercise a full realization of the social responsibilities of profit-must understand that the peace, advancement, and the security of the people of the world are the best guarantee of the Company's own progress and security. We intend now, as always, to demonstrate in action that the free, competitive American enterprise system is far superior to any other. We believe that the Company and its affiliates are so organized, and their business so conducted, that they will continue to serve people well.

### (NEW JERSEY)

COMPANIES

Copies of the full report are available on request. Address Room 1626, 30 Rockefeller Plaza, New York 20, N. Y. The earnings statement in this report satisfies the provisions of Section 11 (A) of the Securities Act of 1933.

# -Like water off a duck's back!



A bad storm spells danger to unprotected walls and contents. Your structures should be protected by Waterfoil

— the raincoat for buildings. Waterfoil consists of irreversible inorganic gels which harden to bond chemically and physically to concrete, brick or stucco and help prevent rusting of re-enforcing bars, spalling or disintegration.

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10th STREET & 44th AVENUE, LONG ISLAND CITY 1, NEW YORK . HOUSTON . CHICAGO . SAN FRANCISCO . TORONTO

PERHAPS NOW is the time to copper the

(To a speculator "coppering the crowd" means moving opposite the trend.)

A great part of American brain power is currently occupied with planning for possible war.

Attention of Congress is concentrated on military appropriations, military training, cold war economics.

Attention of business men is demanded by questions like: How quickly can you convert? What equipment could you produce? Who, what could you do without?

Attention of the nation centers on words of military leaders who speak of dangers abroad.

It's their business to be ready. To be there first with the most.

International situation demands that you be ready for possibility of non-competitive conflict.

But in your planning don't overlook possibility of competitive peace.

KEEP AN EYE on the stock market for next 30 or 60 days.

It could have more effect on business than military spending, ERP, other currently considered factors.

This is not a prediction that market is about to change. But look:

When market is level it has little effect on business—except to make equity financing more difficult.

But when market varies widely, effect is reflected quickly.

People feel richer on rising market. For example: General Motors has 43,-997,753 shares outstanding.

If these go up 10 points, their owners feel \$439,000,000 richer.

When that happens they spend more. They increase retail sales. Rise filters through distribution system to manufacturers.

Conversely, market drop cuts sales. This too is felt all along the line.

Spectacular spurt in market could start rush of new speculators.

If holders of only 10 per cent of E bonds were to join the rush they could add more than \$3,000,000,000 to it.

Never before has U. S. savings, in hands of individuals, been \$160,000,-

Stock market has been level for nearly two years—price variations on the average have been within 10 per cent.

Historically, it's due to change.

CONSTRUCTION INDUSTRY runs at recordbreaking rate 25 per cent higher than year ago.

Leading the list in volume is nonfarm residential building, up almost 50

# MANAGEMENT'S Washington LETTER

per cent in the first quarter.

Commercial, industrial building also show substantial rise.

But, despite this push, there are strong indications that construction backlog is growing, not diminishing.

Statistics show that nation today lives in older houses than in '41.

Of all U.S. housing—ranging from new to 50 years old—only one-third is less than 20 years old.

In 1941 nearly 47 per cent was less than 20 years old.

Rising population is another factor. Increase since 1940 creates demand for 5,000,000 more housing units.

But only 3,500,000 have been built since 1940.

Growth at present rate requires another 500,000 units annually.

This new need, plus advancing age of existing housing, adds to building industry's backlog.

It indicates several years—at least—of strong demand for building at present rate of progress.

It indicates also continuing strength of construction as a force toward high business level.

▶RISING PRICES have covered a lot of management mistakes.

But that period appears to be over. If in '47 you bought too much steel, leather, equipment, nearly anything else, you could sell it quickly—at a profit.

Rising prices bailed out many questionable risks.

But that can't happen in a steady—or lowering—market.

Might be a good idea to go over your '47 business carefully. See how much of your profits were due to inventory rise, how much to normal operations.

In evaluating your outlook, eliminate inventory profit. There's little chance it will recur this year.

U. S. business made total profit, after taxes, of \$17,000,000,000 in '47.

But between six and seven billions of it came from rising prices.

In other words 40 per cent of last year's profits came from inventory rise.

Was that true in your business? Can you take a 40 per cent cut in profit this year?

Note: End of inventory profit explains

# MANAGEMENT'S Washington LETTER

in part operating statements showing bigger business volume, smaller profit margin.

THE \$2.95 SHIRT is back.

Let's use it as an example of what's happening to a growing list of consumer goods.

It demonstrates trend of lowering prices to consumers despite rising costs.

It's happening to television sets, some tools, furniture, home appliances, tires, a few other lines. Perhaps yours.

Year ago lowest price shirt generally available was \$3.95.

Perhaps it was a better shirt. Better or not, it was the cheapest you could get.

So base price was \$3.95. Now the base is down by 25 per cent. Which means you can for the same amount of money get a shirt and something else—a (1) lamb chop, for example.

Lowering base price doesn't mean cost of materials or making shirts is down.

Nor does it mean necessarily that price has been cut.

It means makers and distributors are bringing lower cost, lower price merchandise into the market.

It means also that market for \$3.95 shirts (or perhaps your own product) was slowing down.

Another price-tag cutting factor is lowering markups—profit cutting to meet competition that didn't exist year ago.

CONSUMER CREDIT—at record high level—approaches \$13,500,000,000.

But look behind that figure before concluding the country is on a credit spree.

Total consumer credit figures issued by Federal Reserve include:

Automobile and durable goods instalment credit, consumer instalment loans, single payment loans, charge accounts and credit service, insured repair and modernization loans.

Instalment credit still is slightly below 1941, although retail sales have more than doubled.

Leaders in the credit rise are charge accounts and single payment loans— which are closely associated to the high business volume.

At close of 1929 consumer credit was

\$7,637,000,000, or 8.9 per cent of total personal income.

At the start of 1941 it was \$9,146,-000,000, or 11.6 per cent.

Although record high in volume, current credit total is approximately 6.5 per cent of personal income.

SPOTTINESS DEVELOPS in U. S. farm income outlook for the year.

It will remain high—within 10 per cent of last year's record. But it will be heavier than '47's in some areas, lighter in others.

If you do business in farm areas it may pay you to watch crop development closely.

Department of Agriculture estimates wheat crop at about 1,100,000,000 bushels, compared with 1,364,000,000 in '47.

But quality is down—perhaps as much as 20 per cent on the average.

Low quality wheat may be cleaned to qualify as top grade, but process costs the producer money, cuts his net.

Here's present regional outlook: Better wheat crop than last year in Colorado, western Nebraska.

Not as good in Texas-Oklahoma panhandle region, Kansas.

It's too early for estimates in northern great plains region.

Outlook is for fewer feeder cattle.
Drop is expected to range up to 25
per cent in Iowa, eastern Nebraska,
southern Illinois, North and South
Dakota, southern Minnesota.

Which means less money will be made on feed lots in these states.

▶ GOVERNMENT GOAL aimed at bigger pig crop doesn't mean more pork.

Here's outlook as agricultural experts see it:

Pig raising is profitable only when 100 pounds of hog on the hoof will bring the price of 12 or more bushels of corn.

At present prices 100 pounds of hog will bring only enough to buy less than 10 bushels of corn.

So there won't be more hogs.

But only one in 100 farmers ever has heard of the corn-hog ratio, one in 1,000 is influenced by it.

Pig farmers have so much land, so much help, can raise so much corn.

If it looks like a good marketing year they plant all the corn they can handle and harvest, match pig program to corn crop.

They've been operating at their maximum effort since 1941.

Only thing that will increase pigs to market is corn crop of such bumper proportions that farmers must carry over large volume to next season. Bulging corn cribs, not quotas, bring more pigs to market.

Thus a rise, if it comes, will not reach your table until a year from this fall.

Meat shortage—which means high prices
—will continue for several years.

Livestock men tend to build up slowly for demand they view somewhat suspiciously.

Beef herd is nearly 40 per cent under number necessary to supply present market.

Sheep and lamb numbers are lowest (per capita) since record keeping began in 1876.

Poultry can't take up the slack. Chicken numbers are off slightly. Turkeys are down more than 30 per cent.

#### NUSSIANS PREFER rye.

That's a point to keep in mind when comparing U. S. grain crops with those of U. S. S. R.

U. S. wheat crop last year was 1,364,-000,000 bushels. Russia's, 875,000,000.

But look at the rye: U. S. raised 26,000,000 bushels; Russia, 920,000,000. Which adds to this bread grain total: U. S., 1,390,000,000; Russia, 1,795,-000.000.

NOTE TO ADHERENTS of "the higher they go the farther they fall" theory.

Lumber leads the list of price rises among common commodities. It's selling for 31/4 times 1939 level.

Cotton goods are up  $3\frac{1}{5}$  times. Foods have jumped to  $2\frac{1}{2}$  times '39.

Today's best buy—on the rate of rise scale—is farm implements, up by one-third.

Iron and steel are 50 per cent higher than prewar, and automobiles have gone up 70 per cent.

You may expect extremes (at both ends) to inch toward center.

AVERAGE AGE of U. S. presidents (21st to 32nd) at first inauguration was 51.

These men will be these ages on next inauguration day: Stassen, 41; Dewey, 46; Taft, 59; Vandenberg, 64; Truman, 64, and MacArthur, 68—a week later he'll be 69.

Last 10 men who have died since leaving White House have died at average age 63, a few weeks less than 12 years after their first inaugurations.

YOUR UNCLE SAM suffers from inflation, too.

Airplanes (less engines, radio and accessories) cost Government \$12 a pound during World War II production peak.

Now price ranges from \$20 to \$22.

# MANAGEMENT'S Washington LETTER

Industry expects figure to drop to about \$16 per pound as expanded aircraft program gets under way next year.

COMPULSORY LIABILITY insurance for operators of all aircraft—from cubs to Constellations—may be on the way.

Proposal is before American Bar Association.

Approval of uniform aviation liability bill is expected in September.

Upon approval, bill would be submitted to all state legislatures, many this fall.

Proposal is that all aircraft operators be required to carry insurance or post bond or cash providing:

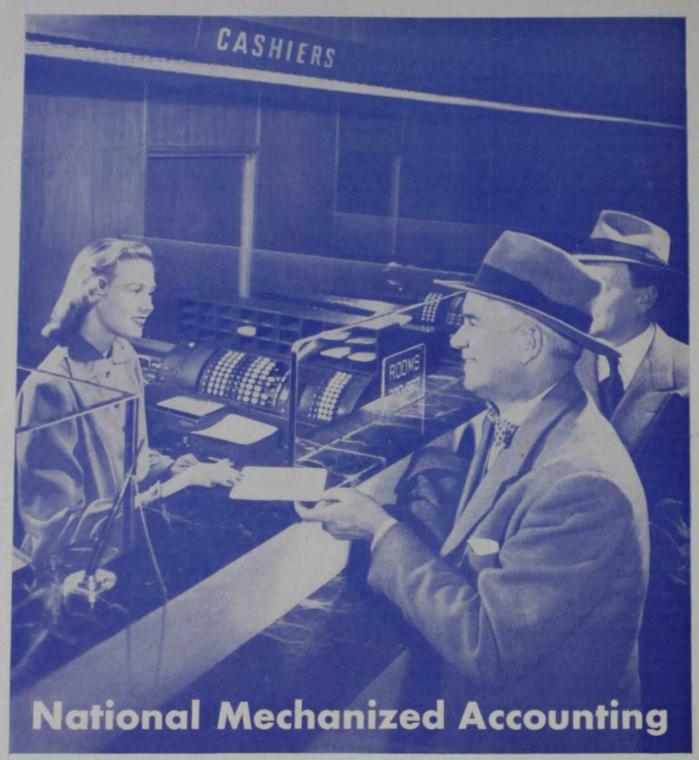
Liability of \$10,000 per passenger, minimum of \$100 per occupant for personal effects, plus coverage of ground property damaged in case of crash.

Penalty for operating aircraft without coverage would be \$5,000 fine or one year in prison.

Bar association's bill would solve air crash claimants' biggest problem—that of proving negligence.

Need of showing negligence would be eliminated by declaratory law.

BRIEFS: Cleveland Trust finds that in past 48 years average yield on common stocks has been 5.85 per cent....Sign of the times: List of commodities that may be exported without special permission was made up by representatives of Armed Forces, Atomic Energy Commission, State, Agriculture, Interior and Commerce Departments....Television production is three times rate year ago .... Air Transport Association says airlines could turn over to military more than six times carrying capacity they turned over at start of World War II.... Booming baby crop (nearly 4,000,000 last year) has brought 100 per cent jump in toy volume compared with prewar....Ex-Secretary of Agriculture Anderson estimated 1948 farm machinery sales (in U. S.) at \$1,831,000,000—that's more than \$300 per farm family....Laundries do 10 per cent of urbanites' weekly wash regularly, 27 per cent occasionally.... Statesmanship (congressional style): Northern congressmen prepare bill to abolish laws protecting U. S. tobacco farmers because southern congressmen supported oleo tax repeal.



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often pay for the whole installation in the first year—and then go on from year to year. Let your local National representative check your present set-up, and report specifically the savings you can expect. No cost or obligation of any kind.



THE NATIONAL CASH REGISTER COMPANY, DAYTON 9, OHIO



## The State of the Nation

URING the war there was a great deal of thoughtless adulation of Soviet Russia, as the gallant ally which, at terrible cost to itself, wore down the strength of the Nazis.

At present there is a great deal of equally thoughtless hostility toward Soviet Russia, as the source and fountainhead of a spreading revolutionary system which aims to destroy the American way of life.

Many people have been disturbed by the rapidity with which our group thinking has passed from one emotional extreme to the other. Many people realize that the character and objectives of the Russian Government are exactly the same today as during the heroic defense of Stalingrad.

The present change in attitude does not result from any change in the character of communism, but from a general revaluation in our own thinking.

The political effects of that revaluation are now about to be demonstrated, in the nomination of candidates for the responsibility of directing the policy of the United States during the next four years. During that period the relations between Washington and Moscow will be a matter of supreme importance to the entire world.

The shadow of war oppressed the nominating conventions in 1940. The condition of war affected all political considerations in 1944. This year the picture is even more perplexing. There is the condition of what is aptly called "cold war" with Soviet Russia, and there is the constant fear that thinly veiled hostility may, through some un-

welcome incident, be quickly developed into a cataclysm of conflict.

No wonder that Americans are now urgently seeking to understand what lies behind this appalling picture. No wonder that they are asking what went wrong, and how, from the present welter of disillusionment, we can climb back.

. . .

On Lenin's birthday, April 22, there was published a biography of this extraordinary man, which is distinctly helpful in the effort of unemotional understanding now so insistently demanded. The author is David Shub, a Russian who was a colleague of Lenin in the proscribed Social Democratic party during the early years of this century.

After exile to Siberia, as a revolutionist, Mr. Shub emigrated to the United States, where he has lived for 40 years. He is now an editorial writer on the Jewish Daily Forward in New York. The value of his careful biography of Lenin lies in its objectivity. Mr. Shub neither condemns nor condones. In clear, straightforward writing he gives us the best picture available in English of the founder of modern communism.

All men are molded by circumstance. In 1887, when Lenin was 17, his older brother was hanged for a leading part in a conspiracy to assassinate the Czar, Alexander III. A generation later, the son of that Czar, his wife, his son, four daughters and their attendants were coldly butchered by the Bolsheviks, with Lenin's approval. This was only

## A New Name for a **PUBLIC SERVICE**

With the approval of its stockholders, the name of Columbia Gas & Electric Corporation has been changed to

# THE COLUMBIA GAS SYSTEM, INC.

Since the Corporation divested itself of its electrical properties under the provisions of the Public Utilities Holding Company Act, the new name becomes more descriptive of the System's functions in public service.

The Corporation and its operating subsidiaries have long been known, unofficially, as the COLUMBIA GAS SYSTEM. Now, with the formal approval at the Annual Stockholders Meeting on April 29th at Wilmington, Delaware, the new corporate title becomes official.

1,000,000 homes, businesses and industries with natural gas directly through its own distribution lines, and another 800,000 customers through wholesale deliveries to other utilities in cities such as Washington, D. C., Cincinnati and Dayton, Ohio. Last year the System delivered 231 billion cubic feet of gas through some 31,000 miles of transmission and distribution lines. The

System is even now preparing to deliver by 1950 in excess of 300 billion cubic feet of natural gas annually.

COLUMBIA GAS SYSTEM serves



#### THE COLUMBIA GAS SYSTEM, INC.

The Manufacturers Light and Heat Company The Ohio Fuel Gas Company United Fuel Gas Company
Atlantic Seaboard Corporation Eastern Pipe Line Company Virginia Gas Distribution Corporation Big Marsh Oil Company
Virginia Gas Transmission Corporation Central Kentucky Natural Gas Company Natural Gas Company of West Virginia
Cumberland and Allegheny Gas Company Amere Gas Utilities Company Gettysburg Gas Corporation
Home Gas Company The Keystone Gas Company, Inc. Binghamton Gas Works The Preston Oil Company
Union Gasoline & Oil Corporation Virginian Gasoline & Oil Company

one of many instances in which Lenin showed his disdain of the text which says: "Vengeance is mine, I will repay, saith the Lord."

In that there was nothing illogical, because Lenin vigorously denied God. Religion was to him "the opiate of the people." Deeming the Creator a mere abstraction, he worshipped instead this other abstraction which he called "the people." By official communist admission at least 5,000,000 of these same Russian people were either starved to death or executed under Lenin's personal orders.

But the irony goes even deeper than that. Lenin was personally perhaps the most modest and unassuming dictator who ever lived. Completely Spartan in his habits, he often complained sadly of the fulsome praise lavished upon him by the Soviet press. "This completely un-Marxist emphasis on an individual," he said, "is extremely harmful. It is bad, entirely inadmissible and unnecessary."

Now, nearly a quarter of a century after Lenin's death, his embalmed body still rests in pomp within the permanent mausoleum by the Kremlin wall. Daily the shrunken corpse is worshipped, and all the writings of this mortal man are revered, studied and expounded by the communist faithful as though they were Holy Scripture.

#### A Problem of the Spirit

The issue which this biography of Lenin helps to point runs very deep. It has so many historical antecedents, so many economic and moral ramifications, that it seems difficult to think the problem through. We feel the emergency of a dreadful predicament, but do not know how to solve it. So we fall back on material measures, like putting together atom bombs and building airplanes and conscripting men. Few would deny the need for such material defense. But military preparation is in itself no solution of any problem which is fundamentally spiritual in nature.

Behind the obscurity which baffles us, certain simple elements are clearly discernible. There is a quality which we call Good, and there is a quality which we call Evil. Take one letter from Good, and we have God. Add one letter to Evil, and we have Devil. The two sets of words are associated, and the principles which each set represents are continuously and eternally in conflict. From the time when men first learned to chronicle their thoughts, the greatest minds have struggled with this issue of Good and Evil. Ability to distinguish this issue separates men from monkeys.

Unlike the monkeys, men cannot escape philosophy; Americans least of all, because our system of government is a philosophic system, demanding at every turn that we choose and distinguish and determine for ourselves as individuals. The power of government is limited

under our Constitution, so that men must face up to life, under that Divine Authority which we consider superior to the State.

This faith in a Supreme Authority is now challenged, as never be-



OF NATION'S BUSINESS

fore in our national history, by a doctrine which aggressively denies that God has any place in human thought. Communism is not without a distorted morality and ethics of its own. Lenin himself put this clearly. "We repudiate all morality," he wrote, "that is taken outside of human class concepts. . . . Our morality is derived from the interests of the class struggle of the proletariat. . . . We do not believe in God. . . ."

#### God-or the Devil

But to repudiate God is to give allegiance to the Devil. To narrow and limit the field of what is good is to widen and enlarge the sphere of what is evil. And this tremendous enlargement of evil was the fruit of Lenin's brilliant but completely amoral mind. It is always so when intelligence is divorced from conscience, the literal meaning of which is "knowing with" God.

The challenge posed for America by Stalin, as the disciple, heir and apostle of Lenin, is different from, and much more subtle than, that posed by Hitler. The threat of the Axis Powers was essentially that of one group of governments to another national group. A victory for the Axis would have been intolerable but, for that very reason, would probably not have been permanent. Throughout history men have risen to overthrow tyrannical government. An evil government does not necessarily corrode individuals.

The triumph of an evil idea is worse than the triumph of an evil government, because ideas enslave the mind and soul of man, not merely his body. Moreover, an evil idea, as opposed to a corrupt regime, cannot be overthrown by physical heroism or by the mobilized power of physical force. Indeed, we must realize that the moral and material ruin spread by modern war provides a tragic fertilization of the seed of evil.

The first World War gave Lenin his opportunity. The second World War has strengthened the grip and power of his doctrines. A third World War would likely efface God from the minds of men. That was Lenin's primary objective.

Often man fumbles by failing to see the simple essence of a complicated problem. In the small decencies which make life happier for everyone is the one sure antidote to communism. The doctrines of Christ—if we believe in them—are stronger far than those of Anti-Christ.

-FELIX MORLEY



#### How should you select a supplier of quality Aluminum?

All you need do is ask: Who are the users of a particular brand of aluminum? How has it performed for them?

Ask that of Kaiser Aluminum and you get this answer-

Though on the market less than two years, Kaiser Aluminum is being used by thousands of manufacturers. By leaders in aircraft, refrigeration, appliances, building materials, air conditioning, and scores of other industries.

What do they think of the performance of Kaiser Aluminum? The record speaks for itself. The demand for Kaiser Aluminum increases every day, from new customers as well as old. These manufacturers have learned that the quality of Kaiser Aluminum is controlled every step of the way, from bauxite processing to finished product. What's more, they know it consistently meets the most exacting specifications, whether the emphasis be on drawing properties, tolerances, finishes, or surface appearance.

You, too, should specify Kaiser Aluminum for your operations. When you do, you'll be assured not only of consistent quality, but also of dependable deliveries. You can plan production schedules with the knowledge that Kaiser Aluminum will arrive on time,

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## The Month's Business Highlights

THOSE whose business is watching trends have been consistently optimistic since V-E Day in their forecasts as to the state of business. Thus far they have been right. This begets confidence in their present conviction that there is more cause for optimism than at any other time since the end of hostilities. Their position is based

of hostilities. Their position is based largely on recent developments abroad.

It is becoming apparent that Europe has been more greatly impressed by the decisive defeat of the Communists in Italy than by any other event since the landing on the Normandy beaches. It is seen as marking a turning point in world affairs. An impediment to a properly functioning Europe has been removed. The Economic Cooperation Administration now has a union of states with which it can work. Prospects for the successful outcome of the plan have been improved greatly.

Had Italy come within the sphere of Russian influence, Greece and Turkey would have been next. Oil is such an important factor in restoring Europe that any increase in Russian prestige in the Middle East would have been far-reaching. As it is, the prestige of the western democracies has risen to a new high. Those countries have demonstrated their ability to turn back the tide of communism.

Great stimulation has been given the people of the European Western Union to produce and to re-establish themselves on a self-supporting basis. The European countries themselves, with the experience of the British loan before them, are insisting on policies which concentrate aid on the restoration of production facilities in western Europe. There is new evidence with each passing day that the European countries are aware of their responsibilities and are using American aid in the way best calculated to get them on a self-supporting basis at the earliest possible time. They are showing unexpected courage in tackling the basic problem of currency stabilization.

. . .

All of this has an immediate and profound effect on business in this country. The very things Europe needs most to increase her production are the things in greatest demand in this country. As a result, new inflationary pressures are created that are out of proportion to the actual exports involved. The amount of aid being extended is a



OF NATION'S BUSINES

small percentage of our gross national product. Only a few of the less essential domestic uses of steel, for instance, would have to be eliminated to offset the export drain. No great sacrifice would be involved in curtailing domestic use of foodstuffs at home to the extent necessary to offset the full

amount sent abroad. The difficulties in a free economy of curtailing supplies at this or that point, even in limited amounts, are tremendous. Since that is not done, pressure on prices increases and the dangers arising from inflation are aggravated.

With full employment in prospect for many months to come at increasing wage rates, control of inflation becomes more and more vital. All of the factors needed to create a demoralizing degree of inflation are present—more government spending; more wage increases; more strikes; more expansion of plant; more construction. Restraints on credit remain a possibility but great reluctance is shown in allowing government bonds to go below par.

. . .

The change at the Federal Reserve is bringing about a more harmonious conduct of the system but no great enthusiasm for taking the drastic steps necessary to curb inflation is being manifested. Winfield W. Riefler, the new Federal Reserve adviser, has strong views on the subject but it is doubtful if board action will support his views. The President loses no opportunity to urge anti-inflation measures but he is charged with failure to use the powers he possesses. He held out for the maintenance of two and one-half per cent bonds at par. With that inhibition, credit cannot be controlled. If by some device government bond holdings by banks can be frozen and the Federal Reserve regains freedom of action, then adequate credit controls can be inaugurated.

Bankers are being reminded persistently that new loan applications must be examined critically as to their essentiality and as to their inflationary effect. Study of 1947 loans indicates that much better judgment might have been used. Hindsight indicates that a substantial proportion of the \$7,000,000,000 aggregate increase in loans in that year should not have been allowed to take place. The voluntary credit control drive of the American Bankers Association, plus continued



Even at inflated prices the little lady will have no trouble figuring out where she stands.

In more complex businesses, "figuring" is much more elaborate. Post, copy, sort, file — or so it's been under the old system. But now all that is out. Here's something new. It's the Comptometer Peg-Board Plan.

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It's so extremely flexible that it gives, almost instantly, any combined statement for such accounting tasks as labor distribution, sales analysis, payroll, accounts payable, inventory control.

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#### COMPTOMETER

ADDING-CALCULATING MACHINES

Made only by Felt & Tarrant Manufacturing Co., Chicago, and sold exclusively by its Comptometer Division, 1712 N. Paulina St., Chicago 22, Illinois. pressure from the Federal Reserve, has made for a better record in the first half of 1948. Appraisal of loan applications is becoming increasingly rigid. Inflation promises to be one of the burning issues in the presidential campaign. This may have a bearing on Federal Reserve action.

. . .

American business is hypersensitive to developments in Europe. The decisive victory scored over Russia in the political field and the bright prospects for demonstrating the superiority of individual enterprise in the economic field have put the Kremlin on the defensive. While propaganda is as blatant as ever, it is obvious that the Politburo is moving much more cautiously. This is being interpreted as lessening the threat of war which in itself is stimulating to business. There are rumblings of discontent among the U.S.S.R. satellites. Concessions are being made that insure extensive interchange of goods between the East and the West in Europe.

All of this points to more rapid rehabilitation on the continent than had been expected. Imports from that area and from the colonies of European countries are increasing. This, together with some decline in American exports as compared with last year, is helping the business situation in the United States. The crisis that might have come this year in the United Kingdom seems to have been averted: A business collapse in England would have had serious repercussions on this side of the water. Fundamental weaknesses in the British situation have not been cured but it now looks as though they will not come to a head for another year or two. It is possible that by that time the world trade situation will have improved enough to afford England a better chance.

. . .

An encouraging aspect of the European aid program is the determination of Mr. Hoffman to take seriously the injunction that the program is to be carried out with a minimum of interference with domestic business or our way of life. He and his staff are keeping clear of government-to-government transactions and are using private trade channels to the maximum extent possible. Mr. Hoffman has the vision to recognize that there is much to be done beside supplying money and goods. He realizes that mental and spiritual rehabilitation are as essential to recovery as the purely economic phases of the program. To bring about contentment is the best way to fight communism, he believes.

The job as Mr. Hoffman is trying to carry it out, is the most difficult assignment ever undertaken by an American business man.

So much has been said in recent months on the floor of Congress and elsewhere as to the blight-

ing effects on business of barriers between European countries, that renewed attention to the removal of barriers between states has been stirred up. It is very apparent that the American economy cannot



OF NATION'S BUSINESS

fulfill its destiny of providing an ever-increasing standard of living if it is to be strangled at vital spots such as interstate borders. One of the main objectives of the Constitution was to remove the barriers that had been so troublesome in the conduct of business among the colonies. When states abuse their sovereignty by placing barriers in the path of commerce, they violate the spirit of the Constitution and impede business which is dependent to an ever-increasing degree on the interstate movement of goods.

. . .

The retailer occupies a strategic position when it comes to maintaining public morale. No group is in a position to contribute more to a preparedness program that must be undertaken in a period of inflation.

By helping people get what they want at prices they can afford, the retailer does a great public service. His task is extremely difficult but his function is of vital importance.

There is much more to retailing than merely exchanging the consumers' dollar for an item of merchandise.

Some of the comment on matters of current business interest that is going the rounds may be summed up in this way:

If all the steel manufacturers were to engage in a vigorous program of expansion, the current shortage of consumer goods would be intensified, the consequences of overexpansion would be unavoidable and inflation would get a boost to new heights.

Liquid assets of farmers are at record levels. Profitable operations in 1948 seem certain. With existing price-support legislation, there is little fear that the bottom will drop out of the agricultural price structure.

Occasional drops in department store sales below corresponding periods of 1947 may be expected. These drops will not be harbingers of catastrophe. They simply will be signs of changes in pricing policies in efforts to maintain sales volume.

Supplies of practically all clay products will be sufficient to meet the 1948 demand. Brick production is at a higher rate than has been attained for 17 years and is adequate for all demands, but it still is only half of the record hung up in 1925.

-PAUL WOOTON



In Beauty Shops ...

"Chrysler Airtemp
Air Conditioning increased
the volume of
beauty shops 38%—increased
unit sale by 100%"—
reports a beauty publication editor.



In Restaurants ...

"The increased patronage due to Chrysler Airtemp Air Conditioning more than paid for this installation the first summer in use," writes a Detroit restaurant chain executive.

# Chrysler Virtemp PACKAGED AIR CONDITIONING Makes Summer Pay More Probjet!

In Jewelry Stores ...

"I'd rather give up that fast-selling line," said a Chicago Heights (III.) jeweler, pointing to a nationally-famous product, "than to give up my air conditioning."

• Why continue to accept summer as a slump season? Almost any business can make it pay—and pay bandsomely—this simple way:

Install Chrysler Airtemp Air Conditioning! Simple and easy to do. Little or no duct work. Move in one or more of these handsome cabinet units (paint to suit your own decorative scheme, if desired)—and watch the results! Almost immediately trade volume steps up. Per-unit sale increases. Workers perform more efficiently. Absenteeism declines. Employee morale improves. And—

You enjoy the cool, fresh, humidity-controlled comfort of modern air conditioned surroundings!

Remember—the facts prove Chrysler Airtemp Air Conditioning boosts summer trade! Many businesses have found these smooth-performing units pay for themselves in a few seasons. And it's a "must" where the reputation for up-to-date-ness is important! So, look into this now, before the summer rush—call your Airtemp dealer or write us.

Handsome cabinet takes only 4.7 sq. ft. floor space. Simple to install—no complex duct work. Easy to move. Cools—dehumidifies—circulates—cleans—ventilates. Famous "Radial-Sealed" Compressor sealed against dust; pressure-lubricated, oil-cooled, rubber-mounted for steady silent performance and long life.





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# Washington Scenes

HE fancier of parallels, who likes to think that history is always repeating itself, had better be on his guard in the case of the Truman Administration. He could easily deceive himself.

From a distance, he may imagine that he can liken the situation at the

White House now to that which existed toward the end of the Hoover Administration. Up to a point this might be all right, because unquestionably there are similarities. Now, as in 1932, the President's stock is very low and it appears that his lease is running out. But here the analogy begins to fade.



The fact is, Harry S. Truman is an altogether different type of personality from Herbert Hoover. He is tough and buoyant, a veteran of 30 years of give-and-take in the arena of partisan politics. Mr. Hoover, in his Washington days, was inordinately sensitive and had no background whatever in the more brutal aspects of political warfare. The difference this makes in the White House atmosphere is considerable.

Henry L. Stimson, in his new book, "On Active Service," tells about his unhappy experiences as Hoover's Secretary of State, 1929-33. After describing Mr. Hoover as one of the great Americans of his time, and one of the most unjustly maligned, Mr. Stimson lists his faults: his habit of seeing "the dark side first"; his constant fretting over criticism, so that he wasted an "enormous amount of nerve tissue"; his seeming belief that the cure for all his troubles was "more and harder work," and (this seems to be laying it on pretty heavy) his addiction to the game of medicine ball, which Mr. Stimson thought was "as dull as weight-lifting and about as refreshing."

Mr. Stimson says he was "oppressed" by the official atmosphere during the Hoover regime, and he adds:

"It was not just the depression—it was the way the Administration allowed itself to become absorbed in a fog of gloom."

Well, no fog of gloom pervades the White House now. Mr. Truman has his trying days, his miserable nights, but he never broods for long. As his doctor says, he has a lot of "bounce." His goodhumored, chin-up attitude seems to be infectious, too. Consequently, the old mansion on Pennsylvania Avenue is anything but the melancholy place one might suppose it to be from a distance.



OF NATION'S BUSINESS

The present Chief Executive has gone through one ordeal that Mr. Hoover never experienced—a major revolt within his party and an attempt to "dump" him at convention time. That insurrection still worries Democratic chieftains, but they now feel that it is at least manageable. At its

worst, it must have been pretty hard for Mr. Truman to take. On top of the harsh things that were being said of him in the South (Governor Laney of Arkansas referred to him as "a politically dead Missouri mule"), the Roosevelt boys, Elliot and Franklin D., Jr., turned on him and joined in the cry for Gen. Dwight D. Eisenhower.

About this time, reporters saw Mr. Truman at a regular White House press conference and were struck by his fortitude. One asked him what he thought of the "revolt." The President, in a calm voice, said he was not disturbed—and looked as if he meant it. What about the 1948 race, another inquired, did he still think the Democrats would win? Yes, Mr. Truman said, he did think so. And was it true, as reported, that he had told a friend on Capitol Hill that he was determined to "fight through to the end" to whatever political fate awaited him? Yes, he said, that was true.

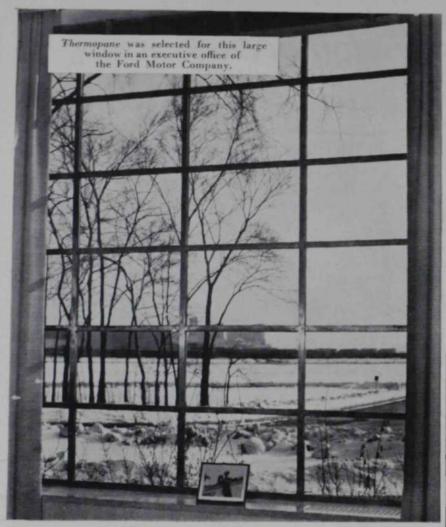
Whatever be said about Mr. Truman's short-comings, and he has just about had the book thrown at him, nobody has yet accused him of lacking in courage. If he has to go down to defeat in November, he can be counted on to go down gallantly, with colors flying.

#### Easy-going and Informal

A curious thing has been noted this spring in connection with the thirty-third President. Notwithstanding the sharp drop in his Gallup Poll rating, his crowd appeal seems to have gone up. He used to be able to move around Washington without arousing anything more than mild attention. Now his Secret Service guards find throngs waiting to get a look at him even on his early-morning walks. It is the same when he goes to church or to a banquet. Occasionally, a spectator will yell, "Hi, Harry," and will get a friendly smile in response.

Mr. Truman is invariably the lion of the evening when he goes to an affair, say, like the Gridiron Club dinner, and not altogether because of his august office, either.

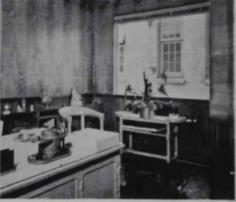
In such an environment, he is an entirely different man from the one his countrymen have come to know from the radio networks and the



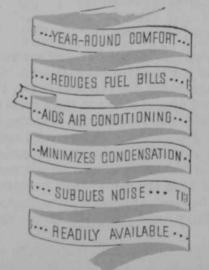
There's no speculation in a *Thermopane\** installation. You know beforehand that *Thermopane*—the windowpane that makes single glazing obsolete—pays many and lasting dollars-and-cents advantages for every investment.

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Thermopane window in this private office of the Crawford Furniture Manufacturing Corp., Jamestown, N. Y., blanks out noise of the mill across the narrow court.



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Effective in both windows and interior partitions, *Thermopane* subdues annoying and distracting noise.

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newsreels. His manner is easy-going and he talks off the cuff. First come a few good-natured pokes at the "opposition" speaker (Senator Taft on the last occasion), and then, perhaps, a hair-down discussion of the world situation, ending up with a little philosophy about what it's like to be that man in the White House at a time like this.

He gets a stunning ovation. Republicans who have fought him on the Hill, business and professional men who despise his policies on controls and taxes, Democrats who say privately that he is "not big enough for the job"—all join in the tribute, and there is no doubt about the sincerity of their applause.

What is the explanation for this? Respect for his exalted office has a lot to do with it, naturally. Then there is the tense international situation. Let a foreign power become threatening, and Americans always draw closer and rally around the symbol of leadership. Prosperity, something that was lacking at the tail end of Mr. Hoover's term, also may be a factor. But no one of these, nor all together, provides the whole answer.

Actually, Mr. Truman can be a very appealing figure under certain conditions, especially to those who are seeing him close up for the first time. For one thing, he is a far better speaker when he does away with ghost writers and talks from the heart. There is a melody in his voice, a pace and a sincerity, that are utterly lacking when he has a manuscript before him.

This was most noticeable when he spoke recently before the American Society of Newspaper Editors. First, he delivered a prepared speech, a 15 minute discourse on the need of controls to head off an "unhealthy boom." The reaction was almost embarrassing. Not once was he interrupted by applause. Then Mr. Truman had the microphones turned off and began to talk off the record, without benefit of manuscript or notes. He was interrupted by applause eight times.

• • •

U. S. Sen. J. Howard McGrath of Rhode Island and other Democratic strategists have long felt that the President could help himself if he carried this same technique to the country. They have urged him to forget his airplane and his ghost writers for a while, get aboard a slow train, and start out on an old-fashioned swing around the country, with rear-platform talks, parades and all the rest.

This represents a change in thinking at Democratic national headquarters. In the 1946 campaign, it was decided that Mr. Truman would do more harm than good if he went about the country, so great was the displeasure over the meat shortage, strikes and other issues of the time.

Anyway, Mr. Truman has now decided to take McGrath's advice. Barring an emergency, he is to leave Washington early this month on a tour that will take him through the Midwest, the Northwest, and the Far West. He will travel by train, and it will be the first time any considerable number of Americans



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has seen him since he moved into the White House in 1945.

• • •

The Eisenhower boom, phase II, is about over. If necessary, the general himself will explode whatever is left of it in advance of the Democratic National Convention next month.

The tip-off came at a U. S. Chamber of Commerce luncheon when Chairman McGrath said Eisenhower would not accept the Democratic nomination "even if asked by the President."

Why was McGrath so emphatic? According to the Washington grapevine, the Democratic high command has now satisfied itself that Ike regards himself as a Republican.

Actually, there never was the remotest chance that Eisenhower would wind up as the Democratic nominee. In the first place, Mr. Truman has been determined to run. Second, Ike and the President are good friends. It was unimaginable that Ike would have any part of a dump-Truman plot. Moreover, the general was not at all flattered by the "draft Ike" cries from the Democratic party. He suspected that the pro-Eisenhower enthusiasts were less interested in him than in striking at Mr. Truman and salvaging the Democratic party.

. . .

Top policymakers here are getting tired of the word "crisis." They think a better word is tension; and they believe that tension in the international field will continue throughout this generation and perhaps throughout the next one.

These men, when asked if there is a real danger of war, say honestly that they don't know—that nobody in our Government knows. They say that, so far as they can tell, Russia now has no conscious intention of starting a war.

The great danger, they say, lies in a miscalculation. For example, the Russians might try to take over a country—one deemed vital to our own security—thinking that the United States will do nothing about it. Or, a certain element in the Politburo might put over the idea that we are getting ready to blitz Russia, and why not strike first.

Meanwhile, despite the tension, the mood here is far more hopeful than it was a year ago. The United States, it is felt, is winning the "cold war."

-EDWARD T. FOLLIARD

## This Man Can't Stop Burglary



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Your stock may be appropriated



Your clerks may be held up



Your cash may be pilfered



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Your premises may be damaged



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# There is Still Time to Stop Inflation

By JOSEPH A. SCHUMPETER

HAVE been a close observer of the inflations that ran their courses in and after World War I in Austria, France, Germany and Italy. If I were asked what it is that strikes me about them more than does anything else, my answer would be this:

Those inflations were simple processes. There was nothing mysterious about them or about the remedies that could have been applied before they got out of hand. All of them were the results of war finance and could have been stopped within a year or two. But they were not stopped because the people who counted politically did not want to stop them.

The new Austria that emerged in 1918 was a leftover from the old Austro-Hungarian monarchy, and completely disorganized. It is perhaps not difficult to understand that a government without authority should have grappled with its difficulties by handing out everincreasing masses of paper money until the currency broke down (1919-23). Nor is it difficult to understand that Germany, crushed by defeat and revolution, should deal with every difficulty by pouring upon it new billions of paper marks, as long as the mark retained any value at all (1919-24).

But, it was the absence (however understandable) of political stamina, not any *economic* impossibility of stabilization or any lack of knowledge as to what remedies would have been effective, that caused the ultimate catastrophe. Politicians, preoccupied with the problems of the day, farmers and industrialists who were not sorry to get rid of their debts, and other groups who put the sham profits of inflation above their permanent interests, pussy-footed the issue of inflation until it was too late.

Italy is another example. The

governments in office between the close of the war and the advent of fascism did the same thing as Germany for the same reason (1919-23). But Mussolini wanted to stop inflation. So he stopped it.

The most interesting case, however, is France, because the French franc emerged from the war in a somewhat better condition than the other currencies. In fact, as late as 1923, there was no economic reason why it should not have been stabilized—at the 1923 level of purchasing power—by the same measures by which Poincaré actually did stabilize it, at a much lower level, in 1926.

But most of the politicians who sat in the many cabinets of those years were of no mind to tackle the problem seriously. Each cabinet felt that this task might be more fitly undertaken by its successors who were welcome to spoil their electoral chances by doing so.

POLITICAL leaders like to talk about halting inflation. But they seldom take action, because effective measures are unpopular. Herein lies a danger for America





something of this kind is now going on in America. Our inflation problem is serious only because neither politicians nor the politically important interests take it seriously. In itself t is relatively easy to solve because the most trying of all the difficulties that beset European countries-difficulties about foreign exchange-do not exist for us. But, as we shall see, all really effective measures are unpopular.

Any cure will inevitably produce what is more unpopular still, a temporary depression, because, so soon as inflation ceases, there will be readjustments in prices and production that will mean losses and unemployment, though neither need be serious. Everyone feels this and is afraid of it, especially in an election year. So inflation runs on by common consent.

We shall first try to form an idea of the nature of the inflationary process and then discuss the means by which it could be made to die out.

Causes of Inflation: We have inflation whenever means of pay- ment expenditure, financed by ment increase more rapidly than newly created money, proceeds be-

vices. This may be due to many causes-for instance, the "wildcat" banking of old, or gold discoveries-but the only one we need to consider is government expenditure financed by newly created "money," such as the greenbacks of the Civil War.

Modern governments, indeed, do not issue greenbacks but "borrow" from banks. This comes to the same thing because such borrowing implies that new deposits are created instead of greenbacks. Observe, furthermore, that even if governments borrow from the public instead of from banks, this still comes to the same thing so far as subscribers to the public loans do not reduce their expenditure in order to pay their subscriptions but borrow from banks in order to do so. What happens in this case differs from an issue of greenbacks only in technique.

We shall divide the inflationary process into three phases: Incipient Inflation, Advanced Inflation, and Wild Inflation. This division is somewhat arbitrary, devised to facilitate exposition, because, in practice, these phases shade off into one another.

Incipient Inflation: Newly created money affects prices, incomes and production only by being spent. The government which creates the money can be relied on to spend it promptly. But the firms and households whose receipts are increased by the government's spending react to this increase in ways that differ characteristically in the three phases of the inflationary process. In Incipient Inflation they are likely to use the money for repaying debts or for strengthening cash positions.

So long as this lasts we have latent inflation.

Moreover, if the government expenditure impinges upon an underemployed industrial organism. firms may react to the new demand by expanding output rather than by raising prices. In this case, part of the inflationary impulse is being absorbed. For both reasons, Incipient Inflation may make little impression on prices and on the sum of individual incomes paid out. Thus, the fact that the government deficits of the 1930's and the consequent increase in deposits had but little effect on either should not have surprised any-

Advanced Inflation: If governthe total output of goods and ser- youd the situation just described,

we enter the phase of Advanced Inflation. Industry is then fully employed and prices and incomes rise all round if they are allowed to do so. Cash holdings are no longer greater than is necessary to do business at the higher costs and are therefore currently spent.

But there will be something else. Not all concerns are able to finance their expanding operations by the new money that, directly and indirectly, they get from the government. They have to borrow from banks.

Moreover, there will be an additional demand for goods because everybody wants to strengthen his inventories in anticipation of further increases in prices and costs and because new investment becomes necessary to meet the new demand for products.

Hence, there will be an additional demand for bank credit. These increased borrowings produce further increases in deposits that are promptly spent. A secondary inflation, therefore, superimposes itself on the primary inflation induced by the government spending.

Before we go on to consider the third phase of the inflationary process, Wild Inflation, it will be well to insert two comments on what has been said so far:

The first refers to an error of diagnosis frequently made by business men and especially by bankers. A banker who experiences an increasing demand for credit is likely to say that his customers need more money because prices, hence their costs, have risen. This



is true as regards what we have called the secondary inflation. It is even true for part of the government expenditure itself as it develops during Advanced Inflation. The previous rise in prices does, in fact, account for additional expenditure. But, if the banker further says that he is doing nothing to "inflate prices" in granting those increasing loans, then he is wrong. His loans increase deposits and this increase in turn acts on the price level.

Moreover, the true chain of causation must not be lost sight of. It is government expenditure financed by new money—in a state of full employment of resources—which raises prices in the first place. Once prices have risen, they become an intermediary cause of further creation of means of payment. But that increase in prices is never the ultimate cause of credit expansion.

The other comment refers to a way of describing the mechanism of inflation that at first sight seems to differ from mine. I have stated that the creation of new money has no effects unless this money is *spent*, and that the extent of these effects will depend on how it is used. It is not likely to percolate throughout the economy and to raise prices all round unless the payments which it finances become incomes of private individuals.

On the strength of this, many economists prefer to say that it is not the newly created money (deposits) as such, but the increase in incomes which "inflates prices." This opinion may be accepted be-

cause it serves to bring out the role that the increase in wages plays in inflation. Even the increase in incomes does not "inflate prices" unless these increased incomes are promptly spent, and it is only wage incomes which are being promptly spent because a large portion of the incomes in the higher brackets is either saved or taxed away.

For this reason and because of its importance as a cost factor, the national payroll is by far the most important conductor of inflationary effects.

The thing to be noted about this proposition is that it is not peculiar to any group of economists but the common property of all.

Wild Inflation: This differs from Advanced Inflation by a characteristic change in people's way of handling their money—often expressed by saying that they are losing their confidence in the national currency. But this phrase lends itself easily to misunderstanding. We shall, therefore, state the individual facts that are meant by it. People no longer want to hold cash. They seek safety in "flight into real values"; they buy whatever they can get whether they want it or not, and borrow as much as they can in order to do so.

Normal business habits are upset. Increasing paper profits are paralleled by increasing real losses. The familiar race starts between wages and prices which often ends in the adoption of index wages.

So soon as this system is adopted, wages increase automatically because prices increase, and prices increase automatically because

wages increase: there is no logical limit to this process except zero value of the monetary unit. Economies in public budgets become impossible. And the currency is being further inflated by far more than such economies could compensate for through the irresistible demand for redemption of the short-term government debt.

In the end, bondholders and policyholders are expropriated as effectively as any bolshevist revolution could expropriate them. The monetary system and production cease to function.

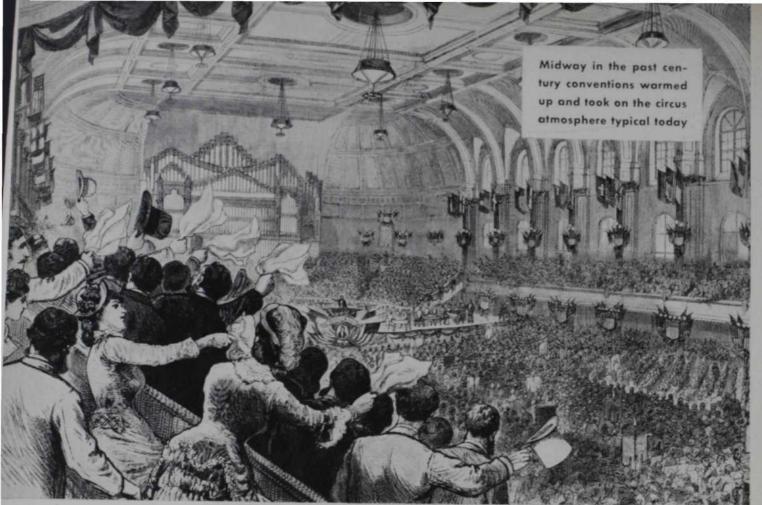
We are far removed from all this. Yet two of the characteristics of this phase are observable: the race between wages and prices has started; and the Federal Reserve system has had to meet a growing demand for redemption of maturing government issues, as well as to support the market for governments to an extent that may not exceed what we should expect in the normal course of managing a public debt of \$250,000,000,000 but is a danger signal all the same.

How to Stop Inflation: Measures to stop or mitigate inflation differ according to the phase the process has reached. Measures that promise success at a given moment may be futile a few months later.

We are in a stage of Advanced Inflation, with the race between prices and wages in full swing, though as yet far from Wild Inflation.

It is to this stage that the following survey of possible remedies re-(Continued on page 88)





## Where Pandemonium



ryan, left, was long a power in Democratic conventions

TOPS IN the art of ballyhoo, our national nominating conventions are distinctly American and can't be matched in any other country

HIS IS the month when Americans go convention crazy. Leap years bring the national nominating conventions of all political parties. The curtain rises on democracy at its wildest.

A people who have perfected the art of ballyhoo can stage these uproarious spectacles, and then, several months later, proceed peacefully to the serious business of electing a great nation's chief executive. In a country less accustomed to hippodrome, a convention of the American variety might well touch off a revolution.

The main drama on the convention floor may inflame passions in the fury of party strife. Blood may be spilled on the floor and galleries, police may be called to restrain mobs, but the only recorded convention fatalities have stemmed from strained hearts. The byplay may produce almost anything. A merry crowd of delegates at a Houston convention was descending from a hotel roof garden when Henry L. Mencken suggested that the hardware on a towering Texas deputy sheriff's hip was a toy pistol.

"Think so?" the sheriff replied quietly. He blazed away at passing doors until the elevator hit the basement with a bump. No casualties, but Jesse H. Jones did some patching on his new hotel.

Private affairs with no official standing, party conventions are an old American custom. Any group can hold a convention and pick a candidate for President. If a party had enough votes at a previous election or can collect enough signatures on a petition, most states provide primaries at public expense for candidates and convention delegates. Or state and district conventions may function. A convention's nominees get on the election ballots on the same terms. Otherwise, every party runs its own show.

The United States holds more than 125,000 elections every year, the largest preceded by party nominating conventions, with more conventions than elections. The convention habit grew from colonial town meetings when scattered families, too far away to attend, sent dele-

gates. The first American convention met in Philadelphia from May 12 to Sept. 17, 1787, with George Washington as chairman, and drafted the Constitution.

Today's conventions resemble that serious gathering only in name. There are trial heats to pick party entries for the big race. Expensive dinners have raised a convention fund and pepped up rooters. Cities have made six-figure bids on the promise of a three-day session so contributors can recoup.

Every party politico and his friends with fare for the ride will be on show. Delegates and alternates will want hotel rooms but may settle for a hallway cot. Each candidate and state must have a headquarters-"Have a cigar, or a shot?"-whether modest or swanky. Some candidates bring bands and each has a swarm of tireless workers to round up the boys and girls to meet the chief. He has a hearty handshake for each and may do a Colonel Roosevelt or a Wendell Willkie act by mounting a chair for



Martin and Stassen—hopefuls spring eternal . . .

## and Politics Meet By JUNIUS B. WOOD



a few "extemporaneous" remarks.

There is one hotel room to which the wise tune their ears through all convention confusion. In party jargon, it is the "owner's" room. Here the elder statesmen gather after others have scattered to their beds or the bright spots. The dread of every party is that convention feuds may carry over into the campaign and produce defeat for its candidate. In the "owner's" room, compromises are framed, new floor strategy mapped, and dark horses picked from the party stables.

Convention footwork starts early. The first test comes when the National Committee picks the city. Naming the chief doorkeeper is important. If the city is in a candidate's area, he can pack the galleries with screaming supporters—and the chief doorkeeper appoints the doortenders.

New York was picked for the

an Al Smith button on his lapel. "What's the meaning of that?" he demanded.

"The doortenders like this one better and I got into the convention without a ticket," the budding politician, wiser than the National Committee explained.

Arrivals begin days before the convention—party strategists, campaign managers, eager tourists, hawkers, pickpockets and visiting police.

The big day comes and the chairman of the National Committee calls for order. Big American flags unfurl from the rafters, the band strikes up the National Anthem and all stand to sing. Then a clergyman says the invocation. Other denominations will grace other days. Such finesse shows the great party represents all people. Men and women of different races, occupations and service are called

credentials, permanent organization, rules and platform and selection of a permanent chairman are other business. Each state delegation names its committee member and they retire to start the battles the convention will finish.

All is working up to the climax—selection of the presidential candidate. This touches off the fireworks. Alabama always is first on the roll call of states. It may pass, enter a name, or defer to another state that wants to get its nominee in early

As each favorite son is nominated, his followers grab the standards which mark the state's seating section, start to parade and snake dance through the aisles, shouting and singing, waving little flags, and yelling for others to join in. The bands thump impartially for all candidates and



PRESS ASSOCIATION

In 1936 at Philadelphia, Democrats renominated the winning Roosevelt and Garner ticket

Democratic knockdown and dragout of 1924, to please Herbert Bayard Swope, managing editor of the old New York World. Mr. Swope figured the World would save on reporters' expenses with a convention within five cent trolley distance from the office—no telegraph tolls, hotel rooms or Pullmans. William G. McAdoo apparently had sewed up the nomination and the National Committee was amiable. One day, after the fight had started, a McAdoo delegate spotted his young son wearing

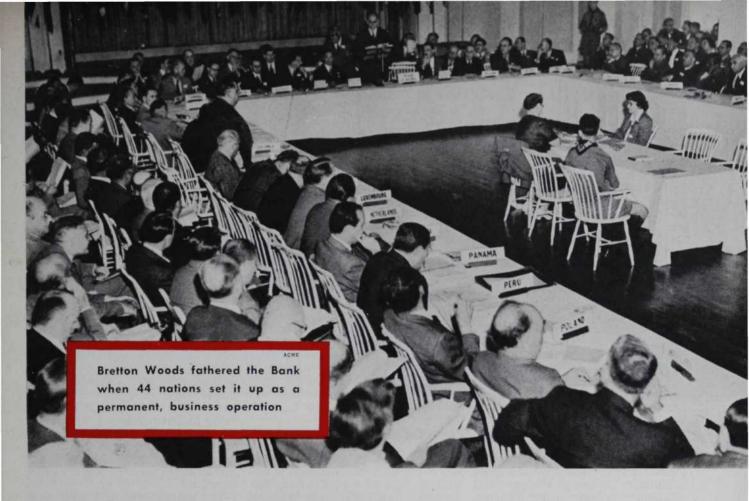
to the platform for brief remarks. Orientals now can vote and this month's conventions may hear two minutes of Chinese. Even the music must show party harmony. One band leader, too young for the Civil War, started "Marching Through Georgia" at a Democratic convention and the hoots and howls drowned out the bass drum.

The show proceeds with the national chairman asking nominations for a temporary chairman. Appointment of committees on

the crowded galleries add to the din. Each seconding speech though shorter, starts another demonstration.

Stage managing has become elaborate but every convention has new surprises. Mrs. R. W. Davis, easy on the eyes, became famous for a day by waving an American flag over the gallery rail and stampeding the Chicago convention of 1912 into an hour of wild shouting for "Teddy" Roosevelt without changing a vote. Packing

(Continued on page 71)



### Banker to a Promised Land

By EDWARD B. LOCKETT

LATE in 1946, the Chase National Bank's tall, bald and persuasive Eugene Black, Jr., went to John Jay McCloy and urged him to accept the presidency of the International Bank for Reconstruction and Development. He found his usually amenable friend in a frame of mind like the renowned Miss Otis of the old song—full of regrets. Yes, McCloy said, he had been offered the job; and no, he did not intend to accept. He had sent word to Washington that he wasn't having any.

McCloy reminded his visitor that he had already served his Government in two world wars. In the first, as an artillery officer in France, he vainly pleaded with the air corps to use light airplanes for spotting artillery fire. In the second, he left a lucrative law practice to serve as assistant secretary of war under Henry L. Stimson. In this job, he had put over his artillery spotting idea by learning to fly at 46, proving to hard-headed generals that they didn't have to use young combat pilots for the



job. American artillery marksmanship improved sharply. The so-called jeep planes also proved invaluable for ferrying officers between fighting headquarters just behind the front.

When the assistant secretary closed his War Department desk in November, 1945, he received the Distinguished Service Medal for operational liaison and administrative tasks well done. Now he was back in private practice, happily settled in New York with his wife and two children. He liked his work.

Moreover, said McCloy, as Black urged a change of mind, the International Bank presidency was an impossible job. The president was expected to run a bank with 46 nations represented on its board; yet he had no real power. He couldn't even vote, except to break a tie among executive directors. Actual lending facilities still had to be worked out. The nature of each member's obligation had to be clarified before we could hope to issue the Bank's securities successfully.

Already, differences between the Bank's first president, Washington publisher Eugene Meyer, and the American executive director, ardent New Dealer and economist Emilio Collado, who exercised the U. S. vote, had stymied operations. Meyer resigned. The Bank, eight months old, hadn't lent a dime.

Black, operating unofficially and as a friend, refused to accept McCloy's decision. He said he had been in Europe when Meyer's resignation was announced and that Europeans saw in the news a terrific setback to world rehabilitation hopes. If confidence was to be restored in the Bank—and this was desperately necessary, Black argued—another good man must take over. Furthermore, he felt that, if McCloy would state his conditions, he could get American backing strong enough to insure that the demands would be met.

President Truman himself reiterated the Bank presidency offer a few days later. The National Advisory Council, which directs American policy in the Bank, agreed to support McClov 100 per cent. The Council is made up of the secretaries of the Treasury, Commerce and State Departments and the chairmen of the Board of Governors of the Federal Reserve system and the Export-Import Bank. Under this sustained pressure, he finally agreed to take the job, and was elected Feb. 28, 1947.

### Operating at a profit

AS a result, a brand new kind of world banking organization is operating, and at a profit. Four European nations and Chile in South America have received loans totaling \$513,000,000—the first four for reconstruction, the Chilean loan for development. The Bank's first bond issue, for \$250,000,000, was oversubscribed at par a few hours after it went on the market last year.

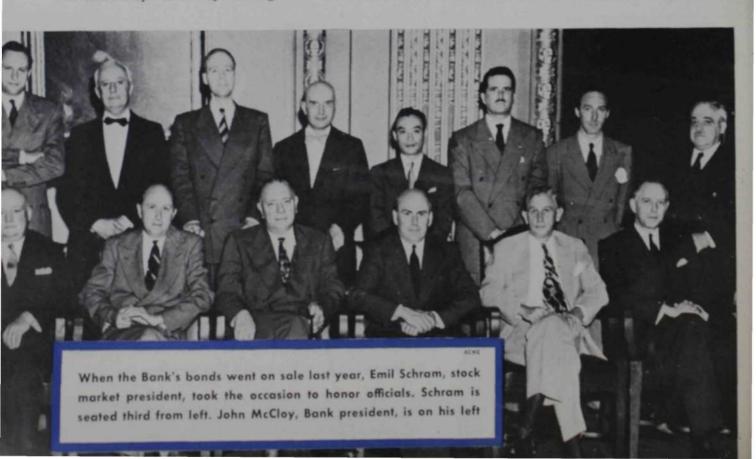
The World Bank-member na-

tions quickly shortened its jaw-breaking full title—was created by the 44 nations which participated in the Bretton Woods monetary conference, in 1944. It was set up as a permanent, business operation. McCloy took over, determined that its purpose would be exactingly maintained. The Bank could not dispense charity. It could not make loans for food, or any other relief items. Its title wrote the blueprint:

"Sound international loans to help finance sound projects for reconstruction, and for development of resources, in member countries."

The new president is what his best friends call a "thruster." He is always competing. His appearance at 52, oddly enough, suggests no such aggressive spirit. McCloy is a brown-eyed man of medium height, who wears round, metalrimmed spectacles. A neat fringe of sandy-gray hair around his head stops at hatband level. The top of his head is bald. Slightly stocky, he weighs 175, and generally dresses in neutral gray or tan suits. Acquaintances quickly begin calling him Jack.

By nature shy and averse to ostentation, he makes every effort to be warm and friendly. Once he squandered several years' savings as a striving young lawyer to match the elegance of a high-priced automobile sported by a wealthy rival for the hand of Ellen Zinsser of New York. It wasn't the car which impressed Miss Zinsser,





but McCloy himself. They were married in 1929.

The World Bank president is not a banker in a strict sense of the word. He is a quietly scrappy Pennsylvania-born lawyer, who started life with little money. His father died when he was six years old. His mother worked to send him to Peddie preparatory school, then on to Amherst College, where he waited on table and tutored; finally to Harvard Law School after his service in World War I.

"I got my learning late," he tells friends.

The legal firm of Cravath, de Gersdorff, Swaine and Wood saw something unusual in the young lawyer, hired him, and in 1929 sent him abroad to head their Paris office. He later handled their clients' interests in the famous Black Tom sabotage case against the German Government, which ultimately brought U. S. claimants more than \$20,000,000. When World War II came, Secretary Stimson remembered McCloy's work on the Black Tom case and brought him to Washington.

McCloy's talents seem to combine a rare mixture of executive qualities. He commands an easygoing ability to bring differing men to an amicable meeting ground. He matches studied conservatism or caution with utter boldness. He appears to operate in a permanent calm, but gets results.

When he came to the World Bank, McCloy brought his own vice president, Robert L. Garner, who was persuaded away from his job as financial vice president of General Foods. Eugene Black was induced to give up his Chase Bank

vice presidency to serve the World Bank as American executive director, after Collado resigned. McCloy's close friend, Chauncey G. Parker, an investment banker who had helped organize the firm of Auchincloss, Parker and Redpath, was enlisted as director of administration.

With this crew in office, things began to happen. The new bosses found they faced a lot of suspicion as Wall Streeters, and had taken on tough jobs. Representatives of other countries found out that, under Jack McCloy, the International Bank was to be no world Santa Claus.

#### Loans made carefully

IMMEDIATELY after World War I, when interest rates were as high as hopes for global peace, U. S. private bankers had practically raced to see who could lend Europe the most money the fastest. A few loans, made mostly at interest rates of between seven and nine per cent, were paid in full. But many turned sour long before world unrest reduced to ashes Woodrow Wilson's dream of an end to wars. McCloy planned no such "Operation Rathole" for his World Bank.

France, which had decorated McCloy for his war service, came to the Bank seeking a \$500,000,000 loan for equipment to reconstruct and modernize her industry. She got just half—\$250,000,000. The Netherlands wanted \$535,000,000. The Bank granted \$195,000,000. Denmark asked for \$50,000,000, and got \$40,000,000. Little Luxembourg requested \$20,000,000, which was pared to \$12,000,000 before a loan

was granted. The Chileans got \$16,000,000 of the \$40,000,000 for which they asked.

Borrowers soon got another jolt. They learned that McCloy & Co. intended to lend only sums that expert staff men figured were justifiable, and not necessarily all that was asked. They also took seriously the Articles of Agreement which commanded the Bank to make certain its money was applied exactly to purposes for which it was borrowed.

A follow-up system on loans—as nearly fool-proof as Bank accountants could make it—was evolved and fought through to adoption over early objections of the first borrower, France. Under this system, when a loan is granted, the Bank enters the amount on its books as a credit to the debtornation, but no actual money is involved. Not until invoices for purchases of items in the loan agreement are received and checked does the International Bank start writing checks.

As soon as a loan is made, the Bank sends a small staff to the borrowing nation. These Bank agents check not only on receipt of goods, but on their use as well.

This was a new wrinkle in international finance. The French and others yelled loudly that here was an invasion of sacred sovereignty. So, they said, were provisions compelling borrowers to inform the Bank fully about economic and financial conditions within their boundaries. Beyond this, McCloy and his hard-boiled mates were making suggestions to some would-be borrowers about re-financing.

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## Shall We Open Our Gates Again?

By C. LESTER WALKER

AMERICANS are going to hear a great deal in the months ahead about the possibility of altering our immigration laws, of making changes which will allow us to import large numbers of new people.

Although the matter is not a burning question yet, watch it. It is going to be before the year ends.

Already at least 30 immigration bills have been put into the congressional lawmaking mill, and the dammed-up pressure of peoples abroad wanting to come to America is rising monthly.

In Europe's American occupation zone, more than 190,000 Poles already have applied for permission to enter the United States, and no less than 13,000,000 Italians would like to do the same, according to a press service dispatch. So many Greeks want to come here that their quotas already are used up for the next 50 years. And most of Europe's 800,000 displaced persons in concentration camps would, it goes without asking, come tomorrow if given a chance. In fact, one authority claims records show that one half the population of Europe would like to emigrate to America if it could.

Our present immigration laws permit about 150,000 new people to enter every year. This number, say some of the advocates of changing the law, is not enough. We owe it to suffering humanity to welcome more, they aver, and more new people would be good for us. Indeed, this country today, they argue, needs more people.

Those are the two chief contentions, and since they are bound to be hurled at the public in the months to come, it might be well to examine them in some detail here.

Let's take the last one first: the United States needs more people. It needs them for various reasons, it is said, and high among them is the military one.



"How can this country expect to defend itself against the faster growing nations, such as the future Russia or China, if it does not soon—somehow—increase its rate of population growth?" is the way the argument is usually phrased.

Today we have 142,000,000 people, while Russia has probably 175,000,000. By 1975 we shall reach probably 166,000,000, and then remain stationary-if the population estimates are right. Russia by then will probably have passed 220,000,000, China 500,000,000. The only way for the United States to hold its own, many claim, is to import people-as we did between 1820 and 1924 (38,000,000 of them). make them into new Americans who will rapidly push up our rate of population growth, increase our number of births, and ultimately produce a bigger total population than we would have without them.

On the face of it, this sounds sensible. But unfortunately any such importation of people would very likely not bring the wished-for final results. Immigration, contrary to popular opinion, does not in the long run increase a country's total numbers. Population authorities, including Benjamin Franklin, discovered this fact long ago. The phenomenon has been

noted so frequently since that it has become recognized as a clearcut law of population growth.

"The importation of foreigners into a country that has as many inhabitants as the present employment and provisions for subsistence will bear," said Franklin, "will be in the end no increase of people."

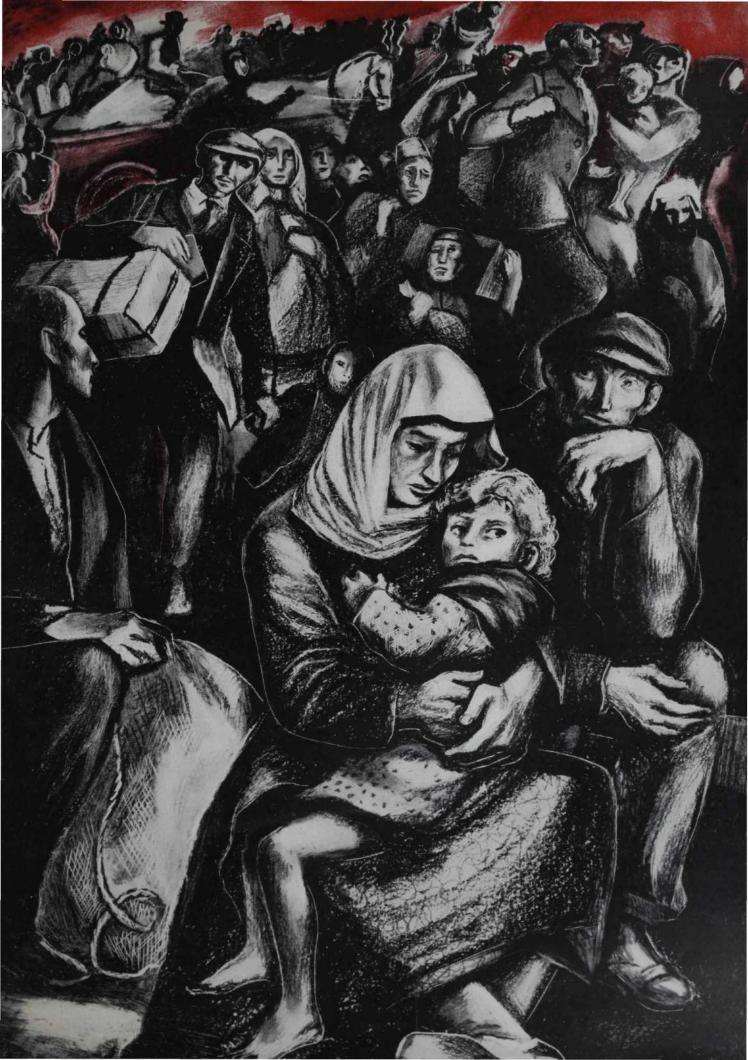
Later it was discovered that apparently Franklin's condition ("as many inhabitants as present employment and subsistence will bear") didn't have to exist for the

law still to apply.

The superintendent of the U.S. Census in 1880, Francis A. Walker, was one of the first Americans to discover this. He observed that immigration always produced a drop in the birth rate of the native born; that in the parts of the country where immigrants settled, the birth rate fell off, and that the ultimate result was a mere replacement-immigrant babies instead of babies of the native born. And his census figures were for a period when employment levels and subsistence demands were far below what the country could bear.

Today, population experts declare that if no immigrants had ever been let in, the U. S. would now have just as large a population as its present 142,000,000—with this difference: more children of the descendents of Robert Fulton, John Adams, Thomas Jefferson, Eli

AMEND our immigration laws and let in more people, cry some. No, say others. Behind it all is a strong story



Whitney and other famous early Americans.

In sum, importing millions of new people will not, therefore, bring us a final bigger population at all.

It would, however, add a lot of new people, strangers, in a relatively short time. (In the 1800's we were sometimes importing 1,000,-000 a year.) This, say those opposing such a policy, would bring back all the assimilation problems of the former big immigration decades. Newcomers are not Americanized overnight, they point out. Many recall the worries the country had concerning the loyalties of some of its German-Americans in the first World War. Better, they say, to build our population with our present well-assimilated citizenry, than to increase it by new immigrants and their progeny.

As for military strength, military men feel we don't need many more millions of people. Mere numbers nowadays don't spell power. If we should add 20,000,000 to our population in just a few years, we should then probably be weaker rather than stronger.

Why? Because modern warfare is fought on the surpluses a nation can produce. What surplus for war can an overpopulated India or China turn out? Russia with 250,000,000 will be able to produce a military machine no more effective than if her population were 150,000,000. In atomic warfare mere numbers will probably be less important than ever before.

Brig. Gen. Frederick Osborn has put it this way: "We have no need for a larger population with which to defend ourselves. It is quite possible that our *present* population is the optimum size . . . providing every advantage of mass production, with an opportunity to conserve our resources over a long period of time."

But, say the believers in importing more people, the really "good times" of this country were in the days of rapid growth, which were the years of large immigration. Let in many more people today, and the same long years of rising prosperity would be likely to follow.

### Less room for new people

THESE folks, counter opponents of the idea, fail to remember that 1948 is not 1875; that America is quite a different country now, and that there are no longer good, cheap lands in the West; no longer a frontier. The effects on our economy of importing many new people would be unfortunate in many ways. Take, for instance, the effects on our natural resources and our food supply.

The effect on our food supply—if U.S. Department of Agriculture opinion may be drawn on—would be to put a strain on its sources. A surprise, perhaps, since today we seem to be feeding the world. But Department of Agriculture experts have a special expression for the food situation when our population shall reach a certain point. Between 1960 and 1970, they claim, America will "pass the point of nutritional consumption." That is, taking recognized estimates of

population increase and of acres of good land needed to produce a minimum healthful diet per person, after 1970 our home-grown food supply will strike a descending curve.

Why? Because, despite our American idea of our vast empty spaces and room for everybody, our good farm land is running out. So say the people who should know most about it. Dr. Hugh Bennett, chief of the U. S. Soil Conservation Service, puts it this way:

"We need more good land for crops now. There is not enough good land left in the United States."

But improvements in agriculture—better fertilizers, improved seeds (like hybrid corn which has upped yields 20 per cent) and new scientific discoveries in animal husbandry (like the production of twin lambs and the development of hogs which mature so rapidly that they thereby consume less grain) will perhaps make up for the lack of crop land. Perhaps eventually we shall have the photo-synthesis of food—know how to make it artificially from sunlight and its basic chemical ingredients.

These are possibilities, and hopeful ones. But they are by no means certain to solve America's food supply problem in the several decades just ahead.

As for our natural resources: a sudden upping of our population as the result of thousands of new people, would put additional and rather sudden strain upon them. No American has to be convinced

(Continued on page 64)



Despite our idea of vast empty spaces and room for everybody, good farm land is running out

# "That Burns Me Up" is Not a Wisecrack

By HERBERT COREY



CASE History of Mr. X.: The book opens at eight o'clock of a dull morning. Mrs. X. has just spilled the coffee on the tablecloth—laundry charge 40 cents—because she was thinking of the little widow whose fingers Mr. X. was counting while he was dummy last night. Everyone, she said, was watching her husband make a fool of himself. She had never been so humiliated. As a crushing non sequitur she added that the widow didn't even like him:

"Anyone could see that."

Mr. X. said that if he had continued to watch his wife combine the basic elements of red dog and gin rummy in her bridge game he would certainly have gone mad. He could see that she was working out something deep and wonderful but when he began to twitch, he felt he owed it to himself to look another way. Some things, he said, are too beautiful. Like the precision with which she banged into the garage door three times out of five. In one gracefully coordinated swoop Mrs. X. rose from the breakfast table. upset the cream pitcher and smacked him in the left eye so that it remained red and swollen all day. At the sound, the girl poked her head in from the kitchen and asked if her employers wanted any more scrambled eggs. The other eggs had been boiled three minutes. Mrs. X. began to cry.

Mr. X. left for the office. Burned to a smoking crisp.

As a report upon an unprecedented domestic difference in the X. household the foregoing is not worth printing. Yet, in its essentials, it is to be found in the write-up-the case history-of the X. breakdown. He had been healthy as a spring lamb. The insurance company had just okayed him to go hunting mountain sheep. These animals skip from crag to crag at the 10,000 foot level, and the man who hunts them must tote a ten pound rifle, shells and various weighty doodads. To meet them on their own terms Mr. X. tossed the medicine ball three times a week. In a word Mr. X. was in fine condition physically.

So he quarreled with his wife and developed an ulcer.

The argument becomes complicated to the lay reader at this point. Men have ulcers who have no wives; men have wives and no quarrels and have ulcers; men have no ulcers and the home life of a boiler factory. Mr. X. ate tons of eggs and mush and milk and, as a Sunday treat, a little of the scrapings from a rare steak. He continued to feel as though he had swallowed a red hot half dollar. His theory was that he was a victim of overwork.

"There's no such thing," said the doctor, who had a bedside manner like a first sergeant. "Why don't you square yourself with Elsa?"

The doctor knew both the X'es and had heard the story from both



Many an ulcer begins at home



Three out of four keep calm



Anger can make a man an Atlas



Some awake to worry anew



Emotions can burn you up



Midriff misery may be mental



Love, thy name is bellyache



A simple diet, lots of rest

sides. After a battle in defense of his self-respect X. yielded, went home, kissed and made up, had his first good sleep in six months. In a week his ulcer had been forgotten. His case or one like it can be found in any one of the books on psychosomatic medicine. The theory of it is not new although the name is. The meaning of the combination of Greek syllables is "Soul and Body." The theory is best expressed in the words of the well-known medical author Dr. Carl Binger:

"It is essentially clinical medicine which takes the whole patient into account.... The mind and the body are one."

#### **Emotions** upset health

MOST of us are sufficiently under control to suppress our emotionsfear, anger, envy, greed-and behave like the animal we erroneously call civilized. But, if we only control the expression, there is, to quote Dr. Binger again, "often only one path left open-a discharge through the autonomic nervous system, that primitive part of the nervous system that governs heart action, respiration, the caliber of the blood vessels, the secretion of glands, the movement of the stomach and intestines, and innumerable other vital bodily functions. When these become deranged by underactivity or overactivity we feel sick. This is often followed by demonstrable structural changes. . . . "

To use family language for a moment, if you go haywire in the head you pay for it in the rest of the body. This appears to be one of nature's little tricks. Not long ago a smallish reporter lost his temper in one of Hollywood's velvet and chromium refectories. A lush and handsome leading man was looking kisses into the eyes of a shapely girl for whom the smallish man cherished a practically undying affection. Any onlooker would have advised the little man to let the big one alone, on the sound legal ground that self-mutilation is a punishable offense. But the little man went at the big one like a terrier killing rats. (Bearing in mind the writer's occupational bias in favor of men who write as compared to men who mug, that is a sweet simile if I ever saw one.)

He was able to give the big man a licking that is still monumental in Hollywood, where one-punch fights are normal, because nature gave him a shot of adrenalin at the right moment. This enables an angry man to fight out of his class, or a frightened man to outrun a pursuer, and is presumably a holdover from the days when dock leaves were 40 feet long and a tiger might be hiding under any one of them. The disadvantage is that the man who loses his temper often loses his breakfast shortly after and, if he continues to fight the battle over mentally, he may develop some really worth-while disease. Perhaps not every physical trouble is to be attributed to an emotional upset but there appears to be abundant evidence that, in many cases, the two are linked.

You start in here and you come out there. But medicine does not yet know precisely what road is followed.

To quote again from Dr. Binger: Medicine has as yet relatively little knowledge as to what constitutes the state of well-being. We don't know why one man is full of beans and the other one drags his hind legs; why one bounds out of bed chirruping and the other cocks a baleful eye at the miserable day. It has some relation to the endocrine system: the thyroid, pituitary, the adrenals and the gonads; or perhaps to the unconscious mind which rides some men like an incubus and which others seem to ride like a good horse."

One thing seems reasonably certain to the layman who has been listening to and reading doctors.

If you let an emotion get away from you—anger, fear, envy, love—it'll burn you up.

#### Unwanted work-and ulcers

FOR 18 years one man suffered from ulcers. In the plural, in his case. If medicine had been able to X-ray him in technicolor, his innards would have shone like the Great Red Way. He was a good man, honest, sweet-tempered and hard working, but of mediocre ability. His friends agreed that he would not have amounted to a pinch of chicken feathers if his wife had not urged him on. She was a woman of great ability and ambition. When she discovered early in her married life that she had married a man who would never get anywhere in particular she set about making him over into a leading citizen. Nights when he wanted to curl up with a pipe and a glass of beer she had him out laboring in some public vineyard. Under her incessant prodding, he built up a good business.

But he maintained the most incandescent set of ulcers in his

Then he fell in love with another (Continued on page 86)

### Science Fears an Iron Curtain

By KARL T. COMPTON

WHEN I WAS a young instructor in a western college, its president urged me to offer a special course in physics for women students. I stoutly maintained that the facts of nature are the same for women as they are for men. Similarly, these facts, whose discovery is the objective of science, are the same for the American as they are for the Italian or the Russian or the Chinese; furthermore, the methods which are successful in discovering them in one country are equally good in another.

It is especially important for us to understand this international character of science, sometimes expressed by the phrase "science knows no national boundaries"

Of many reasons for this I shall mention only two: we must understand the conditions under which science can flourish in America if America is UNTIL we gain a monopoly on scientific brains in the world, we'd best leave the door open to a free exchange of ideas

to benefit through science to the maximum extent in industry, health and security; we must quell the idea which seems to be forming in some quarters that, because science is international, scientists are not to be trusted in matters of loyalty or patriotism.

The need to combat this latter view becomes more specific when we consider that science is one of the most important keys to our national security and to our economic prosperity. Just as either women or men can contribute to scientific discov-

ery, so also can citizens of any nation. So long as scientific communication through journals and meetings is free between nations, it makes very little difference to the progress of science in one nation whether a preceding discovery was made in that nation or in some other.

nation or in some other. Let me give several illustrations of what I mean by this, taking first the develop-The atom bomb got its start in Washington early in 1939 when four scientists, Critchfield and Tuve of this country, Fermi of Italy, and Bohr of Denmark met to discuss nuclear fission

ment of ideas which underlie the atomic bomb and atomic energy.

Radioactivity was discovered by a Frenchman named Becquerel in 1896—the year in which the first automobile was sold. Two years later Madame Curie, also in France though a Pole by origin, discovered radium, the most potent of all naturally occurring radioactive substances.

The principal center of research in radioactivity soon became the Cavendish Laboratory at Cambridge University, England, under the guidance of Lord Rutherford, a New Zealander who had been trained in England, started his independent scientific career in Canada, and then became director of the Cavendish Laboratory. It was Rutherford who discovered that radioactivity is a process of transformation whereby one chemical element changes spontaneously into another with the simultaneous emission of radiations.

In 1921 Rutherford announced the first experiment in which one chemical element had been transformed into another by purely laboratory methods, as distinguished from the naturally occurring processes of radioactivity. This was the first actual accomplishment of the ancient dream of the alchemists.

In 1932 two of Rutherford's pupils, Cockcroft and Walton, discovered the high voltage method of producing nuclear transformations. Also in 1932 another pupil of Lord Rutherford's named Chadwick discovered a new fundamental particle in nature which was called the neutron. Before that year was over Fermi, in Italy, found that the bombardment of various kinds of atoms by neutrons was a particularly potent way of transforming these atoms into other types of atoms often having radio-

active characteristics. It was still in the year 1932 that Ernest Lawrence at the University of California first described his invention of the cyclotron which was to prove the most productive of the high voltage instruments for creating new types of atoms.

Up until 1939, in spite of the great amount of scientific work done in radioactivity all over the world, the only two significant practical uses of radioactivity were for cancer therapy and for making watch dials luminous. But in 1939 came a new discovery of tremendous significance.

#### **Elements transformed**

IN early January, 1939, Hahn and Strassmann in Germany discovered that barium was produced when uranium was bombarded with neutrons. Two German scientists who were refugees in the laboratory of Professor Bohr in Copenhagen, Frisch and Lisa Meitner, immediately suggested that the uranium atom first captured a neutron and then proceeded to blow up in such a way that barium and certain other chemical atoms were the residues. This is the new phenomenon which has been named "fission."

That same month Professor Bohr came to Princeton University to lecture and brought the news of this new discovery with him. Before the end of January the experiment had been repeated in several of our laboratories and there had been a conference of scientists in Washington to discuss and evaluate this new phenomenon of nuclear fission. At that conference Fermi, who had recently come to Columbia University from Italy, suggested that if this process of fission were accompanied also by the liberation of additional neutrons then it might be



possible to produce a "chain reaction" whereby, if the fission were once started in a few atoms in a mass of uranium, it would spread throughout the whole mass. This was the basic suggestion which led to the ideas of atomic energy and of the atomic bomb.

By the end of the year 1939 scientists in many countries had made additional discoveries in the field of nuclear fission, more than a hundred scientific papers had been published, and there had been another important scientific conference on the subject, this one in Moscow.

This history takes us up to the point at which secrecy was imposed on further developments while we in the United States and also scientists in Canada, England, Germany, Japan, and possibly others, sought to produce atomic weapons. It serves to illustrate the international character of scientific discovery—the way in which an important new idea announced anywhere may be seized upon any place else in the world to carry scientific progress forward still another step. It illustrates the fact that scientific discovery has been a tremendous worldwide job of teamwork, not by a team which is formally organized, but simply through the fact that the various means of communicating ideasscientific reports at meetings or published articles in the scientific journals, or the passing of scientific news by word of mouth-provide the framework upon which all new discoveries are based. Anything which tends to impede this free flow of ideas impedes scientific progress to the same degree.

From the time a young scientist begins his professional training as a graduate student, and all through his scientific career, he must be keenly aware of what is going on in his scientific field everywhere in the world. If he does not, he quickly becomes a "back number."

One result of this international exchange of scientific information between scientists is their development of a wide list of acquaintances all over the world. Though he may never have met them, every scientist speaks familiarly of hundreds of foreign scientists with whose scientific work he is acquainted. Therefore when a scientist happens to visit any other country he finds many potential friends and points of contact. This is another sense in which science tends to be international.

#### Science is international

WORLDWAR II brought out many examples of these international scientific acquaintanceships. It made our cooperation with the scientists of the United Kingdom extremely easy and pleasant. It made it possible for us better to predict and evaluate the scientific work which was probably going on in the enemy countries. Let me give two examples.

Immediately after the Japanese surrender I was one of a small group of scientists and engineers whom General MacArthur sent from Manila into Japan to find out as quickly as possible what the Japanese scientists had been doing during the war and to arrange for their equipment and records to be kept intact for subsequent study by technical teams of our own armed forces. Our first two priority "targets" in Japan were Professors Yagi and Nagaoka. Professor Yagi was a Ph.D. from Harvard University and head of the organization set up by the Japanese War Ministry to organize and coordinate the scientific research work during



the war. Professor Nagaoka, president of the Japanese Imperial Academy of Sciences, had been trained with Lord Rutherford at the Cavendish Laboratory and had been the first person to suggest that an atom is like a planetary system with electrons revolving in orbits around an atomic nucleus. Both Professors Yagi and Nagaoka had been guests in my home in Princeton and in Cambridge.

Immediately after the Normandy invasion a joint scientist-military team was organized to go into France and then into Germany on the heels of our invading Army to find out as rapidly as possible what the Germans had been doing in the atomic weapon field, and of course the prime target was to locate Dr. Heisenberg, Germany's leading atomic scientist. Our American team was headed by Prof. Samuel Goudsmit, a Dutch physicist, long a naturalized citizen of the United States and then a member of the M.I.T. Radiation Laboratory staff. When the investigating mission finally reached Heisenberg's office in Leipzig, Heisenberg had fled but there was standing on his desk a photograph showing Heisenberg and Goudsmit together, for they were old friends.

I trust that these illustrations, to which many more might be added, will serve to illustrate the sense in which science is international. With this

(Continued on page 60)

Nearly two out of three homes now have telephone service



The Ameche-wise youngster does his arithmetic by phone

## So You'd



EVERYBODY'S pulling wires for a phone and Mr. Bell's baby has its growing pains. We've talked up the biggest expansion in telephone history and are still going strong

ON V-J Day the Bell System had unfilled orders for a little more than 2,000,000 telephones. Some officials thought that when these were filled the demand might slump. Instead, it increased—and the phone people found themselves on a treadmill. They installed half a million phones in the last few months of 1945 but ended the year 2,000,000 behind. They put in 3,000,000 more new phones in 1946 but at the year's end were still nearly 2,000,000 behind. They installed almost 3,000,000 more new phones in 1947, but still ended the year with a million and a half unfilled orders.

This year Bell expects to cut these down to the bone, but no one can be certain. There is no shortage of telephone instruments, the main bottleneck being cable and switching equipment. One local call often has to set up 2,000 different relay contacts.

In 1945 a little more than one out of two American families had a phone; now it's nearly two out of three. Tremendous demands for phones have come from households which the phone people formerly classified as "can't affords." Recently a phone installer arrived at an address in a tenement district, looked around, and quickly called the business office. "This can't be the right place," he said. "Why, eight people are living in one room here." But when the records were checked the phone went in. Since the end of the war a Georgia cotton mill town has climbed from 1,950 phones to 4,800, an Alabama mining community from 773 to 2,055. The city with the most telephones per capita is San Francisco: 44

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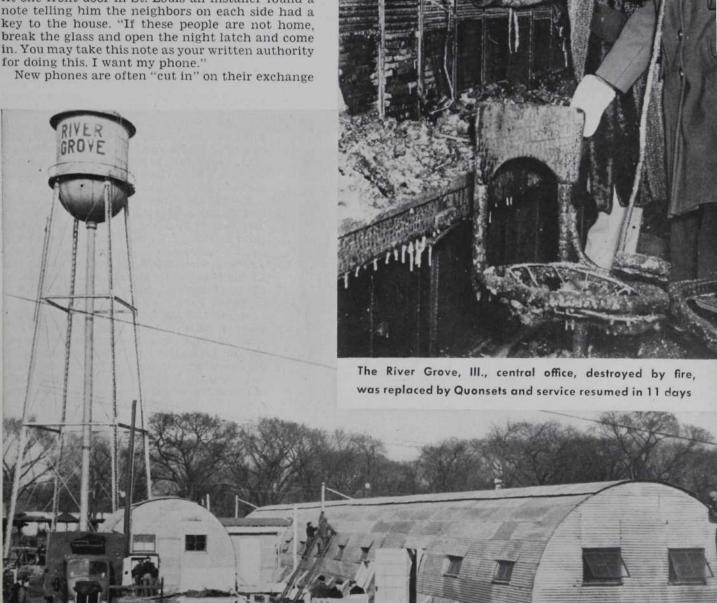
## Like to Have a Phone

### By DON WHARTON

phones for every 100 inhabitants. Washington is next with 41, compared with New York's 29.

Higher wages, boom times and relatively cheap telephone rates are believed to be the biggest factors in telephone expansion. Another reason for more phoning is that millions of men learned to use the phone in war camps and debarkation centers; their calls to parents and girls made still more conscious of the telephone. Then the fact that phones became hard to get made them doubly desirable.

I've seen an elderly woman in a drab Manhattan apartment so thrilled at getting her phone that she wanted to open a bottle of Scotch for the installer. At one front door in St. Louis an installer found a





Mobile radio-telephone service is available in 81 cities



Switching equipment and cable are the main bottlenecks

between midnight and daybreak, but the exchange immediately gets a big load—subscribers staying up just to telephone.

While battling to keep up with demands, the Bell System has repeatedly encountered setbacks—scarce equipment destroyed by floods, flames and explosions. Winter before last fire damaged the River Grove, Ill., central office, cutting off service for 9,585 suburban Chicago phones. In 11 days, despite snow and low temperatures, Bell created a new central office in two Quonset huts and restored service on all lines.

In Maine, telephone installers have worked on snowshoes, drawing their supplies around on sleds. In Texas, when nearly a mile of aerial cable was threatened by fire, installers kept service going by climbing the poles, detaching the cable and burying it under a layer of earth. In Cleveland, a new central office was constructed despite intense cold—by working inside a tarpaulin tent heated by fires in metal drums. In Michigan, concrete-pouring was continued through 37 degrees below zero weather by heating the stone, cement and mixer.

### Recruiting phone operators

SINCE V-J Day the Bell System has hired and trained 300,000 telephone operators. To get these employes it set up special recruiting forces, ran thousands of ads, and gave away tons of book matches, lipstick tissues and address books. In smaller cities parties, dinners and dances were given to high school senior classes. In some high schools last year 50 per cent of the girl graduates taking jobs went to work as operators. Since the war's end, the Bell System has interviewed 1,500,000 girls.

In 1940 about one out of four farm homes had phones; today it's nearly one out of two. The Bell System has been able to increase farm service partly because of several technical developments—for instance, a high-strength wire which can be used with poles as much as 600 feet apart, and a new technique of letting phone calls "hitch-hike" on power lines.

Americans are now making more coast-to-coast calls in a day than they were in a week in 1940, and overseas conversations are ten times the 1940 totals. Incidentally, our operators handling overseas calls do not have to learn a foreign language. Eight out of ten of the world's phones are in English-speaking countries. Communication with non-English-speaking countries is made by having their operators learn English.

Even children are calling more than they did prewar, influenced possibly by parents, certainly by radio programs and comic strips. Manual operators report they can tell when school is out by a sudden jump in calls. Some children now do their arithmetic over the phone. Phone companies have been compelled to run ads begging boys and girls to make their calls brief. One man in Connecticut with two lines lists one of them as "Children's phone . . " Recently the president of an operating company in the Bell

(Continued on page 74)



Walter R. Cannon, George Washington University student, left, got a job without leaving the campus. It came from W. F. Dietz of Westinghouse, right. Sitting in are Prof. Akers, second from left, and Dean Feiker

### **Bull Market in Mortar Boards**

By HOMER H. SHANNON

WHEN Bethlehem Steel Corporation, conquering the traditional suspicion which industry had displayed toward the "theoretical book learning" of the colleges, asked Lehigh University officials back in 1899 to recommend a graduate for employment with the company, it established a precedent.

The university recommended a young fellow named Eugene Grace, who, as a full-fledged electrical engineer, went to work operating a new-fangled electric crane at \$2 a day. His classmates, presumably, had to dredge up their own jobs, an experience which few of those who finish technical courses this June will share. Most of them, in fact, had jobs before they got their diplomas—the result of a talent

## COMPETITORS for today's college graduate are finding that more than salary is needed to land a man. A home and future are vital

search which makes the much publicized talent scouting of the movies a strictly class B feature.

The most persistent bidders for the new talent included the chemical companies, manufacturers of electrical equipment, the metallurgical industries, the automotive industry, and the oil companies. Rubber, radio and communications, utilities and construction were not far behind and even the federal Government took a hand in the competition.

The practice of campus scouting by leading companies is not new but this year's scramble established several records. In the first place, according to those who follow these things, 25 companies were actively recruiting for every one who visited the campuses a dozen years ago. Furthermore, the individual companies had quotas far higher than before the war and the industries were looking, not only for trained scientists and engineers, but graduates in business administration, marketing and psychology drawn from the liberal arts and business schools.

Adding to the complications for

the recruiters is the fact that today's technical graduate is, on the average, several years older than his same number before the war. He is more mature, probably married, and frequently more interested in housing possibilities than in the size of his actual pay check.

#### Housing is important

AS THE head of the personnel department of one of the large oil companies put it, "One of the first things we ask is how the boy is situated on housing. Is he married? Has he any relatives where we want to take him who can provide a place to live?"

Many interviews end at those hurdles although the larger companies usually manage to clear them somehow but the devices used have called for some new recruiting methods.

Westinghouse Electric Corporation, for instance, has been actively recruiting on campuses for almost half a century. This school year, the company had as its goal employment of some 600 picked men. To find them, it assigned a "contact" man to each of the 137 accredited engineering schools, and the larger schools rated three-man

teams. The contact man is on the management level in the district organization and actively cultivates faculty and student body on a year-round schedule. The threeman team includes the contact man, a graduate of the school and a headquarters man. Emphasis is on knowledge of the local situation, personal acquaintance with students and instructors, and the persuasive appeal of the old-grad tie-in. This three-man team is a comparatively recent inspiration and has proven so effective that the company has been expanding its use as rapidly as it could build new teams.

The Westinghouse goal of 600 recruits includes only those graduates to be "pool hired." That is, those to be given a nine-month student-training course at the company's various plants before being assigned to a specific job. The company also has hired numerous additional technical men for what is called "test floor" and for direct assignment.

Head of the Westinghouse educational program is oversized, mild-mannered A. C. Monteith. His recruiters, he explains, do not concentrate exclusively on the student's scholastic record, but look for other qualities in the man's make-up.

"If we picked only from the top quarter of the class, we would miss many of our best men," he says. "Good grades are important, but they are only one factor in estimating the candidate's future value to the company. A well-rounded personality and ability to get along with other men is just as important, in many instances, as scholastic record."

An interview between a company representative and a student is a culminating incident in a long romance. Every large employer sees to it that the student has an opportunity to look over his organization, before commencement. Lecturers are provided for school events and, in particular, for meetings of undergraduate technical societies. Many companies buy advertising space in local and school publications to tell their story. Numerous concerns supply school placement offices with elaborately printed brochures describing their organizations and employment opportunities.

Through bulletin board announcements and in other ways would-be graduates are informed when a representative of a par-

Three Stevens Institute students talk shop with Harold Fee, placement director, right



ticular company will be on hand for interviews. Placement officers arrange meetings at a student's request.

Each recruiting organization is looking for a highly select group of men, but the fact remains that demand has so far outstripped supply that there will be no left-overs this June, as a visit to the schools themselves proves.

At Stevens Institute of Technology, a small but highly regarded institution in Hoboken, N. J., the student body this year was swollen almost beyond plant capacity (as was that of every other institution of higher learning), with ex-GI's accounting for something like 75 per cent of its enrollment of 1,500. Before the war it had about half that many and wishes it could level off at around 1,000.

Last February Stevens graduated 55 mechanical engineers (its only degree) and the June class numbers 74. Harold Fee, Stevens' placement director, says that every graduate last February had a job before getting his diploma, and that the same will be true this June. Because of family connections or for similar reasons a small proportion of the graduates get their jobs without benefit of the recruiter. The rest are said to average from seven to eight interviews before making up their minds.

#### More people are recruiting

THAT the recruiters were literally stepping on each other's heels this year is suggested by the fact that there were 36 of them at Stevens last term (including five from different branches of the federal Government) bidding for the 42 of the 55 graduates who had requested interviews.

The recruiting story was pretty much the same at Columbia University in New York with some additions and variations due to its greater size as well as to the fact that it has a more comprehensive coverage of educational subjects.

Recruiting at Columbia probably gives as good a picture of the gen-

eral pattern as can be obtained at any one school. According to the associate placement director, Miss Mary A. Weggener, the most conspicuous change in recent years is that the interviewers now arrive in groups rather than singly—or that they stay longer, perhaps both. General Electric, for example, sent a team of five, which stayed two days. Each of the five men interviewed a different set of students; one taking on mechanical and electrical engineers, another chemical engineers, and so on.

The number of recruiters at Columbia this year was described as greater than last, when representatives of 150 companies were on the campus.

Asked whether there was a tendency on the part of recruiters to steer away from the so-called bookworm, Miss Weggener said that years ago industry did have a fear of the student who put all his energies into making grades, but that this no longer was true. She added:

"We don't have bookworms any





Graduate engineers at a factory school listen to an explanation of manufacturing time-study techniques



WESTINGHOUSE

A graduate student engineer receives instruction on the use of basic machine tools at a training session

more. The university is stressing more and more the importance of a well-rounded personality and sees to it that students get interested in activities which give that. It is still true, however, that the Ph.D. with a poor personality is about the hardest of all to sell."

Asked if there was anything new in the recruiting picture, Miss Weggener reiterated her views on the increase in activity and scope of the field, and added that the broadened program made possible specialization in the form of teams with members giving their attention to students of different classifications.

"Interviewers also are beginning to talk a good deal about use of aptitude tests," she explained, "but they aren't doing much about that yet."

If it is true that the employer is looking for something more than the ability to make good grades when he goes to a campus, it is equally true that the graduate is more concerned than ever before about his own set of "plus values" when he takes a look at an employer.

#### Look at more than salary

A REPRESENTATIVE of American Cyanamid Company, who actively recruited at several top engineering schools this year, had this to say on the point:

"We find the boys keenly interested in a lot more than job and salary. They want to know what goes with that in the way of insurance, hospitalization benefits, pensions and the like.

"This is especially true of the ex-service men. They are not nearly as likely to press their salary demands as the younger fellows graduating without having seen service. Former GI's, of course, are older, more settled and strangely more humble in their approach to the new job. Most of them are in the age range of 25 to 28. Many of them are married. They take the long view.

"But even here there has been a change over the past two or three years. Three years ago, most of the ex-service men we talked to had held commissions as majors or colonels. At first they insisted on a salary equivalent to what they earned in the service. We are getting down now to captains and lieutenants, and the former colonels and majors have come down out of the clouds."

To illustrate the extreme nature of the demands of some of the younger men he told the story of one student at a southern school.

"He is what is called a prodigy, I suppose," explained the interviewer. "He had graduated from high school at 15 and was graduating from college at 18 as top man in his class.

"He came to us with a detailed, well-thought-out program of what we should do for him. His salary demands were moderate, but the rest was quite an eye opener. In brief, he proposed that he work for us for a period of two years in which he would move from one department to another. At the end of the two years, he was to go back to school for his master's degree, with the company paying his way. His master's thesis was to be on a subject or problem of vital concern to the company.

"When he had gotten his master's degree he would come back to us for several years, after which he



would go back to school for a doctorate. When he had that, he was to be placed in charge of company research."

The unexpected conclusion to this report was:

"We might have hired him, but he received a fellowship and is going on with his schooling. Our people liked him. He had a good personality. He was definitely sold on our company and appeared to be a fellow who could get along in any group and work with other men."

Apart from the stepped-up competition, the most persistent and vexatious problems which the recruiters have faced are geography and housing. Frequently both issues are tied together. Adequate accommodations can be found in one company area but not in another which would be acceptable to the student.

As an illustration, there is the case of one Columbia student. He received an offer which represent-

ed just about everything he had dreamed of in the way of an opportunity. The company invited him to visit the main plant before he was actually hired. On his return to school, he confided:

"I decided to turn it down when I saw the shack I'd have to live in. I just couldn't take my wife there. If I didn't have other offers almost as good, the decision would have been a lot tougher. I know Alice wouldn't understand if I were to ask her to try to make a home in that dump."

#### Marriage and complication

A SOMEWHAT different twist is given by a Westinghouse representative:

"Before the war, when most of our graduates were around 21 or 22 years old, few of them were married. But today Bill Brown arrives from Alabama with Mary Belle on his arm. She was raised in Tuscaloosa. Two or three rainy Sundays and she wants to get back with family and friends, and Bill has to go unless some way can be found to make Mary Belle feel at home in her new surroundings.

"And it isn't always Mary Belle who raises the problem. Bill himself must be provided with a new social life, and as speedily as possible."

Still another example of the way in which the recruiting process has been complicated by the homing instinct in this postwar world is the case of a young Texan.

This month he will be leaving one of the best eastern schools with a degree in metallurgical engineering. He is a star student and, in the opinion of half a dozen industry representatives who have interviewed him, belongs in research. But he kept insisting he wanted to go into sales, for which he obviously was not fitted.

Patient questioning by the school placement office finally dragged out the reason.

"Well, as far as I can find out," he explained, "none of these companies I've talked with has a laboratory in Texas. I was in the service for four years and I want to get back home. I figured the only way I could do that was to get into selling."

According to all reports, the geography hurdle most frequently pops up with young fellows raised in the South and on the Pacific Coast. For some reason, they seem to be the most difficult to wean from native environment.

While the demand for technically trained brains has skyrocketed (Continued on page 63)



### Q. Do you know what to do



### if there's an accident?

A. If you know and can use First Aid after an accident, you may prevent a lasting injury, even save a life. Accidents will injure 9 million Americans this year. One may happen where you are, and it's up to you to know

what to do—and what not to do until competent medical help arrives. A good way to learn the new, approved First Aid methods is to register for the classes held by your local chapter of the Red Cross,

### Q. Do you know what not to do?



A. Don't try to be the doctor! Do whatever is necessary to save the victim's life, and to prevent shock by keeping him warm and quiet, but no more. Don't move the patient unless it is absolutely necessary. Don't give uncon-

scious persons water or liquids. Remember, in case of an accident or emergency, doing the wrong thing may be worse than doing nothing, and a good rule to follow is "If in doubt—DON'T."

### Q. Have you a First Aid Book



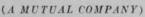
### in your home?

A. About one half of all accidents occur in the home, and a first aid book should be a "must" in your medicine cabinet. If you don't have one, send today for Metropolitan's booklet, "First Aid." It gives the proper immediate

treatment for bleeding, stoppage of breathing, poisoning, burns, broken bones, and many other emergencies. Write today to Metropolitan for your free copy of the booklet, 68-P, "First Aid."

TO EMPLOYERS: Your employees will benefit trom understanding these important facts about First Aid. Metropolitan will gladly send you enlarged copies of this advertisement — suitable for use on your bulletin boards.

### Metropolitan Life Insurance Company



1 Madison Ave., New York 10, N. Y.



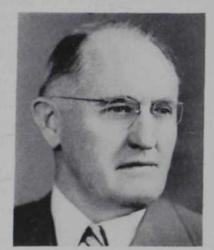
TO VETERANS—IF YOU HAVE NATIONAL SERVICE LIFE INSURANCE—KEEP IT!

### New Leaders of the Chamber

LARL O. SHREVE again has been chosen to head the Chamber of Commerce of the United States. Mr. Shreve, a vice president of the General Electric Co., was re-elected to his second term at the organization's thirty-sixth Annual Meeting in Washington.

Eight other leaders of commerce and industry also have been recently elected to office in the National Chamber—two as vice presidents and six as directors.

The new vice presidents



Christopher J. Abbott



Stanley C. Allyn

Mr. Abbott since 1942.

are: W. S. Rosecrans, president of

W. S. Rosecrans, Inc., Los Angeles;

Christopher J. Abbott, livestock producer and banker, Hyannis,

Nebr. Mr. Rosecrans has been on

the Chamber's Board since 1941,

The new directors, chosen by

Second Election District-Melvin H. Baker, president of the

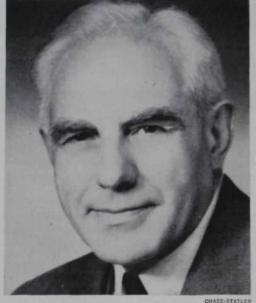
mail vote in advance of the annual

meeting and by the Board of Direc-

tore during the meeting, are:



Melvin H. Baker



Earl O. Shreve

SHOWN with Earl O. Shreve, elected to a second term as Chamber president, are two new vice presidents and six new members of the Board



John Ben Shepperd



Richard L. Bowditch



Ellis H. Robison

Representing Manufacture Stanley C. Allyn, president of the National Cash Register Co., Dayton, Ohio, director of the Dayton Chamber of Com-Directors-at-large-John

Ben Shepperd, attorney at law, Gladewater, Tex., president of the United States Junior Chamber of Commerce. Richard L. Bowditch, president of C. H. Sprague & Son Company, Boston, director of the Boston Chamber of Commerce.

The meeting also saw the re-



W. S. Rosecrans



Louis Bromfield

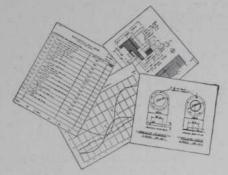
National Gypsum Co., Buffalo, member of the American Academy of Political and Social Science.

Representing Agriculture—Louis Bromfield, Lucas, Ohio, agriculturalist and author, director of the Ohio Chamber of Commerce.

Representing Domestic Distribution-Ellis H. Robison, vice president and treasurer of John L. Thompson, Sons & Co., Inc., Troy, N. Y., president of the Troy Chamber of Commerce.

election of these men as vice presidents: Herman W. Steinkraus, president and chairman of the board of the Bridgeport Brass Co., Bridgeport, Conn.; Carlyle Fraser, chairman of the board of the Genuine Parts Co., Atlanta, Ga.; Roy C. Ingersoll, president of the Ingersoll Steel Division of the Borg-Warner Corp., Chicago; Powell C. Groner, president of the Kansas City Public Service Co., Kansas City, Mo.

### Now... line-for-line ... photocopies can be sharper, clearer



New photographic emulsion gives dense blacks . . . Whatever the original-printing, typing, or handwriting-copies made on Kodagraph Contact Paper all come through with dense blacks-line for line, sharper, clearer than before. That's because of the emulsion of this new contact paper-developed by Kodak especially for photocopying.



Pure high quality paper base assures clear, crisp whites - Kodak-made in Kodak's own mill, the base used for Kodagraph Contact Paper is chemically and physically

pure-fit background for the dense blacks of the photographic images. Furthermore, it's longlasting, tough, durableand lies flat.

Kodagraph papers

### Kodagraph Contact Paper

Wide latitude makes exposure, processing simple, sure-Kodagraph Contact Paper is easy to handle from start to finish. Thanks to wide latitude, good results do not depend upon split-second timing. What's more, because of its uniformity, exposure and processing times remain the same-from sheet to sheet, package to package.

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Please send me a free copy of "The Big New Plus"—your booklet about Kodagraph Contact Paper and the other papers in this

great new Kodak line. I have ☐ contact printer ☐ direct process ☐ blueprint equipment.

Department\_ Company. Street\_ Kodak City\_ State

### Science Fears an Iron Curtain

(Continued from page 49) background, let me discuss a few factors which bear on the problem of our national security.

There has been some tendency, by people who certainly do not understand science or scientists, to assume that scientists must have a tendency to be disloyal or unpatriotic because of the international character of science. I do think that scientists, because of their contacts, are less likely to have international prejudices than are some other groups of people. but certainly no one who knows scientists, what they think and how they behaved during World War II, has any such false view. As a matter of fact the tendency to feel that scientists cannot be trusted because of their international contacts has had a disastrous effect on the security of every country where this feeling has been strong.

#### Jap scientists not trusted

THIS WAS perhaps most pronounced in Japan, because practically every Japanese scientist has studied for anywhere from four to seven years in the United States or western Europe. Because of this fact the Japanese military caste never took the Japanese scientists into their full confidence and as a result these scientists contributed far less to the effectiveness of the Jap war effort than would otherwise have been the case. Our scientific mission found many illustrations of this fact. As one of them told us, "We were treated with suspicion, almost as if we were foreigners." In the early months of the war some of our own American scientists who had studied in Germany also had some difficulties in getting access to classified material, but in our country this suspicion was quickly overcome.

Now, however, in the hysteria which has even reached some parts of the Congress, the mere acquaintance of an American scientist with a scientist from any Soviet-dominated country, or his acquaintance with any one who associates with a group containing suspected communist sympathizers, may be the basis for a charge of disloyalty. This could develop into a dangerous attitude which could be disastrous to our own American scientific progress.

While we are all concerned with

our national security in this troubled postwar world-in this time of "cold war"-it is important for us to think clearly on the subject of national security and what can provide it. So far as science and its applications are concerned national security is by no means synonymous with secrecy. In fact. the rigid imposition of a high degree of secrecy on American scientific progress in any neld, even atomic energy and nuclear science, would be about the most disastrous policy that our country could pursue from the national security standpoint. The reason, of course, is that progress cannot flourish under conditions of secrecy or even suspicion.

The important point of view to get is that national security is achieved by our being as far ahead as possible of any unfriendly competitor. To be far ahead the methcds by which science can make progress must be followed and these are not the methods of secrecy. I put this strongly even though I am fully aware that there are a number of important facts which should be very carefully safeguarded by security methods and by severely limiting the number of persons having access to these facts. However, these are exceptional cases. Our natural tendency in official quarters will be to err on the side of too great secrecy and supervision rather than too little. There will be a tendency always to say "no" when in doubt and if this tendency becomes established procedure we shall certainly not progress as we should in the competitive race atomic power development.



Let me now pass from the problem of security to the problem of industrial production. It is well recognized that a large portion of the industrial production of today is based upon inventions or engineering applications which are in turn based on previous scientific discoveries. Therefore our future industrial prosperity will depend in no small degree upon the availability of a rich stockpile of new scientific discovery which can form the basis of new devices, substitute materials, better products and more efficient production of all those things which are necessary to maintain a good competitive and progressive position.

The United States has been more notable for the ingenuity of its inventors and the efficiency of its manufacturers than it has been for its scientific discoveries. There are several reasons for this. We are young as a scientific nation. Our scientists are only the first or second generation of those whose advanced training was obtained in our own country rather than in Europe. We have also been more concerned with mass education than we have with quality education for leadership, as compared with some European countries.

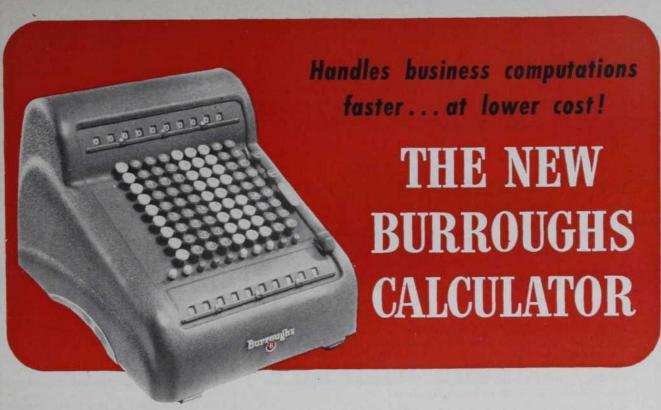
### Ingenuity was necessary

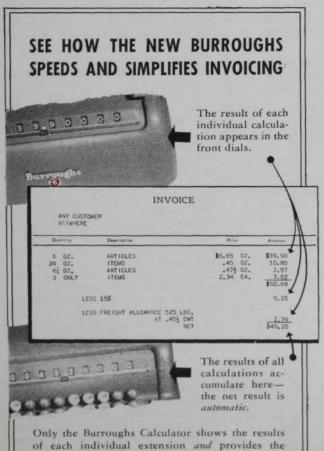
BUT I SUSPECT that our preeminence in invention and initiative may be traced to the requirements and opportunities of our pioneering existence in this new country. Faced with many problems, having at hand almost limitless natural resources, but having available relatively few tools and little equipment, the early pioneers had every urge and incentive for the development of ingenuity.

However, I think that we often overestimate our pre-eminence even in this field. This is perhaps due to our enthusiasm and tradition. We do not realize, for example, that the photoflash lamp, the fluorescent light, the Diesel engine, the wireless and the basic vacuum tube are all basically European inventions.

The United States produced the finest radar used in the war and developed many new types and applications, but the heart of the radar and the thing which made it possible was the magnetron tube, brought to this country early in the war from England. When I was in Japan I saw an essentially similar magnetron tube which had been described in publication by the Japanese even earlier.

We hear a great deal these days about gas turbines and jet engines





Calculator claims of speed and simplicity are common. Calculator demonstrations with some rare and complicated problem may be impressive. But what you're really interested in is results-the time and money you can save on everyday volume work like payroll, invoicing and sales audit. That's where the new Burroughs Calculator proves itself faster, simpler, more efficient.

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# What would it cost to replace your essential business records?

Have you ever stopped to consider what a heavy investment in work and money has gone into your business records — the correspondence files, manufacturing and sales records and accounts, customer lists, employee and payroll records, engineering drawings, miscellaneous reports, and all the other vast accumulation of data in daily use in your operations?

Estimate the value represented and you'll have some idea of the expense you'd be put to just to restore the indispensable portions of this information, should it be lost, destroyed, or substantially damaged by fire, flood, explosion, or any other cause.

The possibility of a loss is such a serious risk, and would cost you so much money, that it should be covered by insurance. Ideal for the purpose is the Hartford Valuable Papers Insurance Policy which:

- Covers business records and all papers\* used in business activities, against loss due to fire, explosion, windstorm, theft, and any other cause (except misplacement or mysterious disappearance, wear and tear, deterioration, vermin, and acts of war).
  - \*Currency, stamps, coupons and securities, checks, drafts, notes, or other written evidence of indebtedness or obligation are not covered by the policy.
- 2. Covers such property in your office, in transit to a place of greater security, and in the more secure location. Papers taken off the premises for business purposes are covered up to 10% of the total insurance carried, subject to a limit of \$5,000.
- 3. Guarantees that the Hartford will either replace or reproduce lost or damaged records or papers or pay in cash up to the limits of insurance carried, the actual costs of making such replacement. (Unless specifically insured for a higher amount, there is a limit of 5% of the total insurance on any one record or paper, subject to a maximum payment of \$5,000.)

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and rocket propulsion. We are now very active in these developments in the United States, but it is in England and Germany that the most important developments have been made and in many respects we are not yet able to equal what is now being done in England and what was done during the war in Germany.

I am perhaps giving this point exaggerated emphasis, but I want to bring out the fact that, while the United States has a fine position in science and has recently advanced in this field more rapidly than any other nation, we are still finding a very significant portion of the most important scientific discoveries being made abroad. We can therefore not relax our scientific efforts in support of research and the education and training of scientific leaders if we consider a high degree of scientific proficiency to be essential to our security and industrial prosperity.

#### We can lose pre-eminence

FURTHERMORE, we must not be too self-confident of our own preeminence even in the fields of invention and production. We are admittedly in a strong competitive position but we could lose it rather rapidly if we should fail to support our sources of scientific discovery and technological development, or if we should embark on national policies which would be depressing or discouraging to technological progress.

Here again Germany is a recent example of the dangers of selfconfidence. She was so confident of her radar superiority that she lost this position. She was so confident that American scientists could not approach her own atomic scientists in ability that she underestimated the possibility of our producing an atomic bomb. It is well for us to remain reasonably humble, or at least to understand and appreciate the truth that the facts of nature can be discovered and applied anywhere in the world and that there are men of imagination, ingenuity, and scientific training in every important nation.

Censorship and controls, when they reach the "witch-hunting" or other extreme stage, are actually the result of a type of fear which is a product of ignorance. We must recognize the fact that the contributions which science can make to our prosperity and to our national security will be effectively realized, not by suppression of scientific knowledge or rigid control or censorship of scientists, but by encouragement and support.

### Bull Market in Mortar Boards

(Continued from page 56)
enormously since the war, it would
be a mistake to believe that industry has only now discovered science. The striking thing about the
partnership existing today between
science and industry is that industry needs ten or 20 scientists and
technical graduates for every one
it isolates in a laboratory.

General Electric alone employs more than 6,000 engineers and an additional 900 chemists, physicists, mathematicians and other scientists—perhaps the largest aggregation of scientific and technical talent assembled by a private employer in this or any country.

E. V. Murphree, president of the Standard Oil Development Corporation, asserts that research and development personnel of the group of companies affiliated with the Standard Oil Company (New Jersey) has grown from 95 people in 1929 to 2,250 today. The rate of increase for the petroleum industry as a whole is almost as rapid.

### More graduates are sought

THE combined recruiting goal of business and industry this year was believed to exceed the 31,000 technical and scientific school graduates. And the number of graduates this year is an increase of roughly 35 per cent over the 23,000 graduated in the last school year.

There is reason to believe that the shortage of trained men will be less severe in two or three years. A survey made by one of the engineering societies indicates that the class to be graduated in 1950 will number around 58,000, about double the expected demand that year. But it is far easier to approximate the number of graduates in any particular year than the size of the demand. Each postwar year has seen demand exceed expectations. We know the number of freshmen enrolled, but demand depends on many variables of an unpredictable nature, not the least of which is general business volume.

Tremendous enrollments in science and technical schools will certainly result in an early readjustment between supply and demand. But both the large enrollments and the present industrial appetite for scientific brains are building up a backlog for the future of inestimable value to the nation.



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Take this boxcar, for example. The brother of every other American freight car, it has interchangeable wheels, axles, trucks, brakes, draft gear, and couplings. It fits into any train, and can be repaired with standard parts at any railroad shop in America.

This universal interchange of freewheeling freight cars is the basis of the mass transportation that makes possible the marvel of American large-scale production. It is the very foundation of our system of marketing, which gives the American consumer the widest possible choice in the things he buys. These things could not have been achieved—and they could not be maintained today—without the cooperation of railroads which, while competing vigorously with one another, also work together through such organizations as their mutual agency, the Association of American Railroads. And today—as in the past—they are engaged in a widerange program of research and development in equipment, materials, and methods, to help maintain American railroads as the most economical, the most efficient, the safest mass transportation system in the world.





### Ohioan Buys Air Conditioning to Relieve Wife's Asthma —Chooses Frigidaire

When Mrs. Jay Wm. Holmes, Dayton, Ohio, developed asthma, a friend suggested that air conditioning might give rehef. Accordingly, Mrs. Holmes' husband, principal of Dayton's Wilbur Wright High School, had a Frigidaire Window-Type Room Air Conditioner installed in their bedroom.

"The results," says Mr. Holmes in a recent letter, "were nearly unbelievable. Almost instantly, Mrs. Holmes' condition was vastly improved. It is a pleasure to recommend this wonderful Frigidaire unit, its reliability and low operating cost." Refrigeration Equipment Co., Dayton, handled the installation.



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### Shall We Open Our Gates Again?

(Continued from page 44)
after the past winter that our oil
reserve is less than our needs. The
Department of the Interior report
of a couple of years ago on forest
and mineral resources gives the
same sort of warning: we must
conserve. Would importing more
and more people worsen the situation? Obviously, it could.

Labor supply. Wages. Vital markets for the products of American industry. These are other ponderables which enter into the same shall-we-import-people question.

The old days of heavy immigration gave us "cheap labor." There is no such thing any more, and the average worker certainly has no regrets. But will we have a serious dearth in the labor supply if the country doesn't import more people while running head-first toward a stationary population period? The predictors-economists, population authorities-answer, "No." They declare that scientific discoveries and improved technology will increase the individual worker's productivity enough to take care of the need.

### Immigration and low wages

AS FOR wages, more people via immigration probably would depress wages and this in turn would result in lower buying power per capita, bringing on a lower living level and less consumption of goods. Markets for products would very likely tighten up rather than expand.

But without a large importation of new people, business would almost surely have adequate outlets for its wares and services. There would be, say the economists, probably a gradual shift from producer to consumer goods. Brookings Institution has estimated that to provide all Americans with the diet and necessities of living which they ought to have would require 80 per cent more production and sale of consumers' goods. This figure doesn't exactly indicate that business would find itself with seriously restricted markets.

But put aside possible practical reasons for a moment. Should America merely, out of charity—and this, you remember, is the other chief contention—let large numbers of new citizens in?

It is sometimes argued that thereby we would assist the countries of the Old World in a solution of one of their cruelest problemsoverpopulation. We with our "open spaces" would relieve such countries of the terrific pressure of too many people, simply by taking many of them from their shores.

This sounds logical and sensible but the fact is that emigration from overcrowded lands to ours would be of little aid to the former.

The history of migrations proves that emigration never solves a nation's overpopulation problem. For instance, Italy, spilling over with people in the 1800's, sent us hundreds of thousands of immigrants. But Italy's overcrowding never relaxed. What happened and what apparently always happens was that the emigration provided Italy with conditions—more food per capita, etc.—favorable to an increase in the birth rate. More people were born. The result was that the country, during the great emigration period (1880-1910)—actually increased its home population.

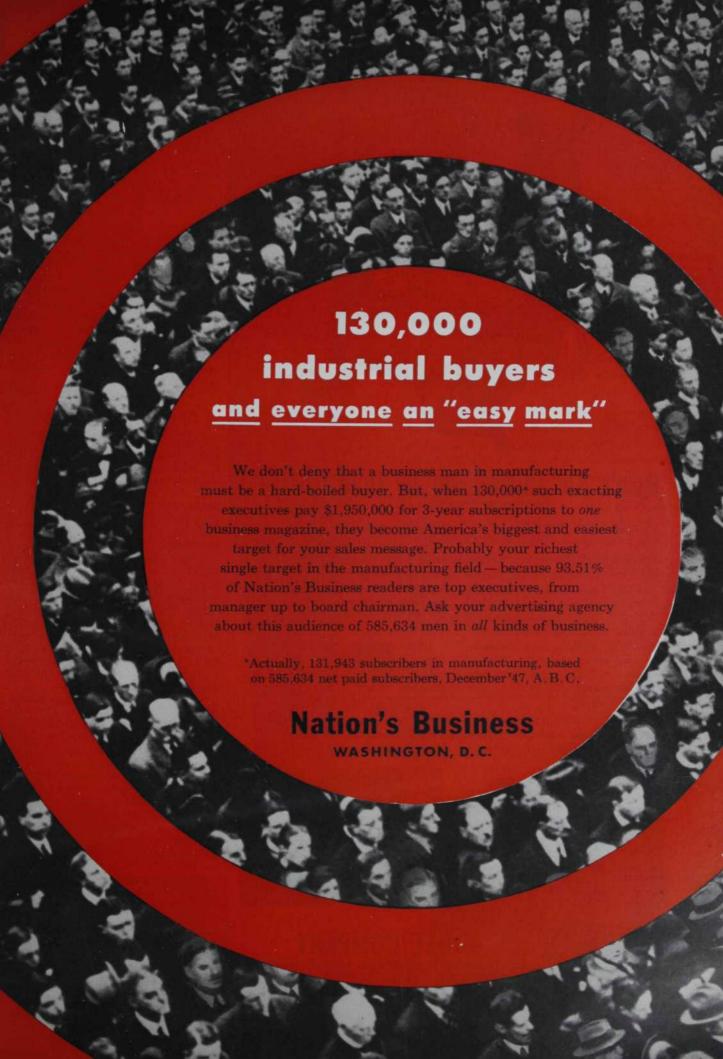
The same occurs in other countries. It is practically an immutable law. Even Franklin observed it.

"You will not have fewer at home for those who go abroad," he wrote. ". . . emigration does not diminish but multiplies a nation."

To take a nation's surplus people is, therefore, in a sense to give that nation false hope and help. Why should the United States, some ask, extend such doubtful aid?

Further, if the misery and wretchedness of other peoples are to be a chief influence on America's future immigration policies, the question will arise as to where the United States should begin and stop. The wretched of Europe,







### Don't be ambushed by inventories

You can easily get scalped in the backwoods of your inventories unless you know the terrain like the palm of your hand.

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whose cases are many and heartbreaking, especially among the D. P.'s, have the call just now. But in terms of misery probably the Hindus and the Iranians have a greater need. Should we not import many thousands of them? On the basis of charity, logic and nondiscrimination there is perhaps no reason why we should not.

What, then, would our best people-importing policy be?

Some groups say we should begin now to import 1,000,000 new people a year. A bill for Congress' consideration would admit nearly that many refugees. Others, the less extreme, advocate that we keep our present totals—153,000 a year—and quotas intact; take care of as many D. P.'s as possible thereby, and change our present comeone-come-anyone system to a policy of selectivity resembling that used today by other Western Hemisphere nations.

### Hand-picked immigrants

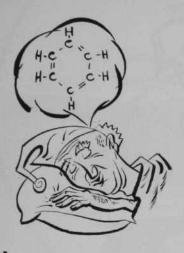
ARGENTINA needs fishermen and industrial technicians and picks its people to be imported accordingly. Brazil requires that eight of every ten be farm workers. Canada sends selection agents abroad to pick specific immigrants-to-be for specific trades—ones that need manpower.

The United States is especially short on household servants and farm help. Of more than 100,000 immigrants in 1946, only 3,600 of these two classes came to our shores. A selective policy might obtain for us many more of them. It could also cull out the top scientists, technicians and medical men, plenty of whom we can always use.

Whether any such progressive immigration policy will emerge out of the congressional debates to come is, of course, anyone's guess. Maybe nothing will emerge. The whole question is such a political hot potato, with all the group pressures it involves, that even a House committee which was investigating the problem passed the buck of specific recommendations to a non-existent commission of experts which it advised "be created" for further study.

Meanwhile the average citizen can mull it over and decide which he favors: a future population growing slowly out of the present fairly well assimilated and—in terms of Americanism—fairly homogeneous citizenry; or a nation again rapidly expanding with new and alien peoples. One thing or the other it's got to be.

### The Professor Had a Dream



Not Long ago, Charles Kettering, dean of American researchers, warned against discounting instinctive intelligence. What he meant is something our best scientists know—that instinctive intelligence, a man's insight, is often more penetrating than the highest-powered microscope.

There is striking evidence of this in a story about Friedrich August Kekulé, a professor of organic chemistry at Ghent University in Belgium in 1865. One night he had

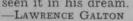
a dream.

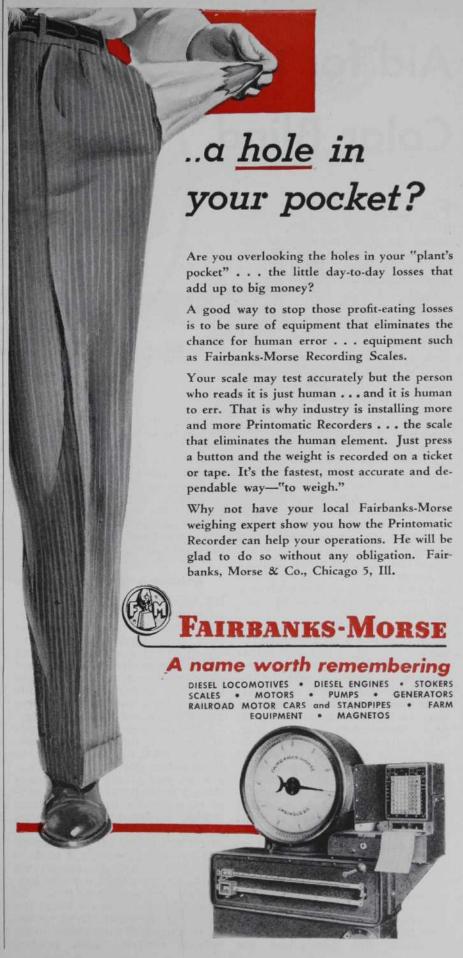
In this dream the professor saw a vision of something that laboratory workers had not been able to discover. It was the ring-like structure, the actual arrangement of atoms within a single molecule of benzene. The vision was so clear that he woke up startled.

Excitedly he made a drawing of the atomic arrangement and showed it to his associates. But none would accept it as more than another theoretical way of showing how benzene behaved chemically. The professor, however, confidently used his drawing to predict the behavior of related substances, derivatives of benzene. And, when his theoretical predictions were verified, chemists blinked, made use of the vision, and achieved considerable progress in organic chemistry.

Just a year ago, science reached the long-sought goal. In the laboratories of Eastman Kodak Co., Dr. Maurice L. Huggins photographed benzene molecules.

The result? There in the picture was the arrangement of atoms within each molecule, just as Kekulé had seen it in his dream.





### Aid for the Color Blind

OR SOME 6,000,000 Americans loosely classified as color blind comes the first real word of encouragement since the affliction became a matter of public consciousness about 265 years ago.

First, the majority of them are not actually color blind; they are red-green blind. Second, that condition has been corrected for a sufficiently large number of victims to warrant the belief that normal color perception might soon be available to most.

While the personal benefits of such corrective treatment would be inestimable to those whose lives have been made difficult in school, at work or in social activity, industrial life could profit, too.

Industry's stake lies in the fact that color-blind males outnumber the females by about eight to one, and consequently a large number of sufferers are holding industrial jobs where proper color perception is important. What losses they cause through spoilage of material, misinterpreted orders or signals and by general retarding of production can only be conjectured.

Webster defines color blindness as, in most cases, dichromatism or partial color blindness, and points out that complete color blindnessmonochromatism-is rare. In the latter, all colors appear to be gray. Most common form of dichromatism is the red-green blindness, where these colors appear as gray.

In deuteranopia, or green blindness, yellow is the brightest part of the spectrum. In protanopia, or red blindness, the brightest part appears as yellow-green. Tritanopia, blue-yellow blindness, in which these colors also appear as gray,

is exceedingly rare.

The earliest known writings on color blindness appeared in Europe late in the seventeenth century, but little was done about the problem-in this country, at any rate-until after the War Between the States. Since then it has been established that all forms of color blindness, like hemophilia-the



scourge of "bleeders"-is transmitted from mothers to sons, less frequently to daughters.

In Mason City, Iowa, Dr. J. H. Lepper, now 78 years old, spent 40 years of research on the subject while caring for his practice in optometry, and eventually concluded color blindness or, rather, dichromatism, resulted from a lack of sensitivity of some of the optic nerves or cones.

### Exercise helps perception

HE found that various eye exercises would help arouse the sluggish nerves. He noted that youngsters, given playthings of the colors in which they were deficient and taught to identify them, would show improvement. He speculated that most of the trouble was due to lack of training and at one time referred to it as "color ignorance."

Later he observed that exposure of the eyes to lights of various colors resulted in higher sensitivity to those colors. He noticed that engravers and others working constantly under lights of blue or other hues became highly sensitized to those. He asked himself why that principle couldn't be applied to the correction of red-green blindness.

His solution turned out to be so simple an ordinary gooseneck lamp can be used in the treatments. Employing conventional tests, he establishes the colors in which the patient is deficient. Then he exposes the eyes to these colors, using colored electric lights beamed through filters, for daily periods ranging from a few to 15 minutes. Complete correction requires three to eight weeks.

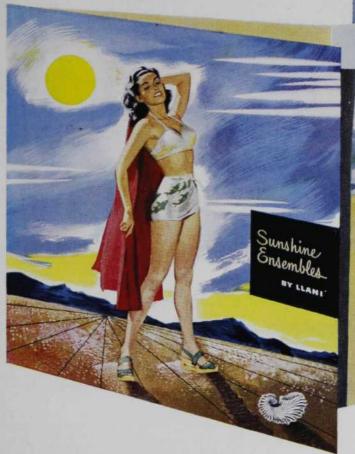
Dr. Lepper once challenged an Army air training base commandant who had posted a warning to cadet candidates against trying to bluff on color tests, emphasizing there was no hope of correction for color blindness. He pointed out that one of his former patients was about to receive his wings. The commandant wired for the name of the flyer. The doctor wired back: "You said color blindness couldn't be corrected. Then go ahead and find the color-blind man yourself."

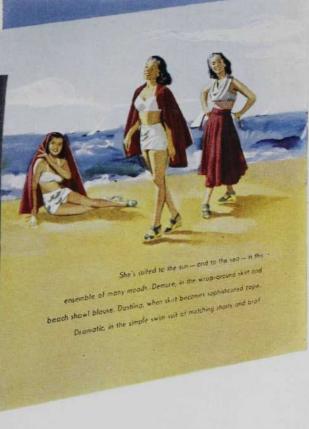
The treatment is available in numerous cities with a growing number of optometrists taking up the technique. One of the East's strongest advocates is Dr. Philip M. Steinberg, a Long Island optometrist and lecturer at Columbia University. It is interesting to note that none of the practitioners has encountered a case of monochromatism, or total color blindness.

None of its users claim the treatment effects a permanent correction. But they point out it can be repeated if needed.

The American Medical Association examined the treatment and the literature on it and referred it to Washington officials for a checkup. The latter gave it a clean bill. The A.M.A. classified the treatment as "educational rather than therapeutic," suggested avoidance of the word "cure" and let it go at -PETER J. WHELIHAN that.

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and research. By thus broadening the base of aluminum's usefulness, Alcoa helps all America toward more business, more jobs-better living.

#### Where Pandemonium and Politics Meet

(Continued from page 38) the galleries with gate crashers to roar at every mention of the candidate did not help Al Smith in his home town. Willkie's managers did better by deluging delegates with telegrams ordering them nominate the "Barefoot Boy from Wall Street." Mayor Kelly, more economical, put the city's superintendent of sewers in the basement to bellow "We want Roosevelt" over the amplifiers.

National conventions began in 1831. The Anti-Masonic party, now forgotten, held a convention on Sept. 26, with 112 delegates from 13 northern states and nominated William Wirt of Virginia, attorney general under President Monroe and later under John Quincy Adams. All previous nominations had been made by congressional

The 1824 election in which Jackson failed of a majority in the electoral college, after having won a popular majority, doomed caucus nominations. The House elected John Quincy Adams and the Democrats, with loud shouts of "We've been robbed," renominated Jackson though another election was more than three years away.

In 1856, the Democrats were in Cincinnati, the Whigs gave up the ghost in Baltimore and the Republican party made its debut in Philadelphia where former Whig President Millard Fillmore also was nominated by the American or "Know Nothing" party. Since then the Republicans have staged

23 conventions including this year.

Early conventions were tame, with candidates nominated by acclamation or on the first ballot. By 1852, they warmed up. Democrats in Baltimore had 49 roll calls before Franklin Pierce of New Hampshire won over Lewis Cass of Michigan who led on the first. Ten days later in the same city, the Whigs ditched President Fillmore for Gen. Winfield Scott of New Jersey on the fifty-third ballot.

The first platform, composed by a group of young Whigs in Washington five months after the party's first convention, was a modest document of ten resolutions in 500 words. An up-to-date convention whose resolutions committee

does not have at least two all-night sessions and turn out 20,000 words feels lacking in stamina and scholarship

After the Civil War, Democratic conventions provided oratory while Republicans elected presidents until James A. Garfield appeared in 1880.

For days that convention was uproarious. Roscoe Conkling strutted his stuff and retaliated on James G. Blaine for an unforgotten speech in the House. Robert G. Ingersoll, a delegate, waved a woman's red

shawl with every speech. A distinguished woman guest on the rear of the speaker's platform attempted a speech, prodding all within reach with her parasol until a harassed man raised his umbrella for protection.

Garfield made a speech nominating Sen. John Sherman of Ohio, secretary of war under Hayes and later McKinley's secretary of state. "What do we want?" he roared and a convention chorus, always unpredictable, answered: "We Want Garfield!'

Garfield got no votes on the first ballot, attempted to withdraw his name on the tenth, and was so overcome when nominated on the thirty-sixth that he collapsed. As a consolation prize to Grant supporters, their floor manager, Chester A. Arthur of New York, was nominated for second place. Four months after the inaugura-



Costumes of delegates impart color to the conventions

Every nomination sends delegates into a frenzy of rooting and tooting

NATION'S BUSINESS for June, 1948

## Water Coolers are like People

Judge a water cooler just as you would a person. Examine its record—its history and previous employment. In other words, get the facts by research.

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vacation, or for information covering the unsurpassed industrial opportunities in our province, write the Provincial Publicity Bureau, Parliament Buildings, Québec City, Canada, tion he was the nation's President.

The strangest vice presidential compromise was at the Whig convention of 1840 which, as a votegetting measure, nominated John Tyler, an opposition Democrat, as running mate to William Henry Harrison. The hard cider Whig ticket of "Tippecanoe and Tyler, Too," swept the country. A month after the inauguration, Tyler was President.

William Jennings Bryan, who enlivened Democratic conventions for nearly half a century, skyrocketed into party leadership with his "Cross of Gold" speech at the 1896 upset in the Chicago Coliseum. Bryan was for free silver at 16 to one and the opposition died hard. A St. Louis brass band became so loudly enthusiastic that it was tossed out of the hall. Every speech was cheered, hissed and booed or started a fight. Bryan won from 15 candidates on the fifth ballot. The convention adjourned overnight. an old trick, to block the nomination of John R. McLean, publisher of the Cincinnati Enquirer, for vice president.

#### One group secedes

BRYAN also was nominated that year by the Populist, Peoples and Silver party conventions. Gold Democrats seceded and held their own convention but Bryan repeated as nominee in 1900 and 1908. At Baltimore in 1912, he demanded the expulsion of any friends of J. Pierpont Morgan, Thomas F. Ryan or August Belmont, the latter two being delegates. As Belmont's father had been national chairman to open the 1860, 1864 and 1868 conventions, this was party sacrilege.

City police were called several times to prevent wrathful brother delegates from throwing the balding "Boy Orator of the Platte" out

of the Armory.

During one of the interminable roll calls, Chairman Ollie James invited Bryan to take the gavel. William A. MacCorkle was called on for remarks. The former governor of West Virginia was boosted to the platform. Pointing a finger at the presiding officer, he roared: "Three times you've led us to defeat, for God's sake give us a chance," and clambered down.

The Baltimore convention saw an organization candidate, Champ Clark of Missouri, defeated by a popular candidate, Woodrow Wilson of New Jersey, and by the two-thirds rule. The convention whooped for eight nights with a breathing spell for Sunday. Bryan, also Roger C. Sullivan and Charles

F. Murphy, Illinois and New York bosses, switched to Wilson and he won early one morning on the forty-sixth ballot. Clark had reached 556 votes—a majority—on the tenth call—but 724 were needed for two-thirds.

The Republican convention in Chicago's Coliseum, three days earlier, had guaranteed the election of the Democratic nominee. "Teddy" Roosevelt was on hand, either to get the nomination or bust the Republican party. He lost at the start when Sen. James Watson of Indiana outgeneraled Governor Hadley of Missouri to elect a regular organization man temporary chairman. Twenty-two state delegations were contested in what Roosevelt called a "naked fight against thieves."

The convention's credentials committee allowed 233 of the contested seats to Taft and 13 to Roosevelt. Party machinery was well oiled and Chairman Elihu Root's "The ayes seem to have it. The ayes have it" was as monotonous as rain on a tin roof. After tactical recesses—10,000 spectators were driven out in one downpour—President Taft was renominated on the first ballot.

Though it was after midnight, 344 Roosevelt bolters from among the 1,078 delegates assembled in Orchestra Hall. Roosevelt, a bandana around his neck, climbed on a table to harangue his faithful.

All returned in August for their own Bull Moose convention and a campaign in which personalities were a greater issue than party principles.

#### Hard lines for G.O.P.

REPUBLICANS were on hard lines. James S. Sherman, renominated for vice president, died a few days before election and the National Committee substituted Nicholas Murray Butler. "Teddy," always spectacular, was shot in Milwaukee and made a ripsnorting speech a few hours later. Republican spirits still were low when Chief Justice Hughes and Charles W. Fairbanks of Indiana were nominated at the next convention.

On the next round, 1920, the party glowed righteously after nominating dark horse Warren G. Harding of Ohio, explaining that the campaign funds of Gen. Leonard Wood and Gov. Frank O. Lowden of Illinois were too large.

Came 1924, and the Democrats' Madison Square Garden brawl to show how a party can defeat its own candidate before he is nominated. It was the longest convention since the Democrat split in

1860-17 days-and had so many more delegates than votes-1.446 delegates of whom 182 were women that many delegates rated only

3/35th of a vote.

Impassioned debates started with the first bang of National Chairman Cordell Hull's gavel on Tuesday, June 24. Two days later, the resolutions committee was able to retire to draft a platform. It did not emerge until Saturday and its report was thrashed over until two a.m., Sunday.

While the committee was platform building, 16 candidates—six present or past senators, seven governors and three ambassadors or cabinet members-had been nominated with loud assistance

from the galleries.

The first roll call for nomination started on Monday evening and the one hundred and third ended around midnight on Wednesday of the next week. Each started with "Alabama casts 24 votes for Oscar W. Underwood!" from the hound-calling lungs of fox-hunting Gov. William W. Brandon.

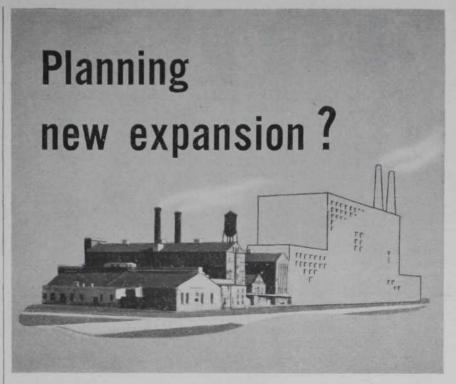
#### Support from the galleries

GALLERIES were loaded with Smith rooters. In addition to being picked for lung capacity, each was given a wooden noisemaker. Every time Al's name was mentioned or a floor leader popped up, they whooped and rattled. Or one would start a cheer, the band would blare "East Side, West Side" and the galleries would sing. McAdoo got as much noise-boos and groans and a steady chant "Oil, Oil, Oil" from the bleachers. Chairman Walsh splintered six gavels, each larger than its predecessor, pounding for order. A threat to adjourn the convention to another city finally toned down the organized claque.

To observe Sunday by recessing at midnight the roll was called only seven times on Saturday but the ordeal was repeated 15 times on each of the first two days when delegates were strong and fresh. McAdoo reached 530 votes on the sixty-ninth ballot. Gov. Smith, nominated by Franklin D. Roosevelt-and again in 1928-reached 368 on the seventy-sixth. A motion to abrogate the two-third rule which required 730 votes was howled down.

After the one hundredth ballot at 2:30 a.m. Wednesday, a recess was taken to 8:30 that night. The party was losing public confidence and the leaders agreed on John W. Davis, a New York city product like the other two.

This year promises a new high in



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QUALITY PETROLEUM PRODUCTS

#### So You'd Like to Have a Phone

(Continued from page 52) System received a letter from a teen-age boy who said his social life was "hampered" by lack of a phone: "The girls cannot reach me by phone and they are also complaining." The president wrote him a nice letter, then added: "P.S. When I was 16 I didn't have a

phone either."

Subterfuges of all types have been tried by people wanting a phone. Bribes of \$500 have been offered. Some have tried to wear down their local phone company by calling every day. Since telephone priorities favor veterans, some firms have tried using an ex-GI as a front. In one case a former service man actually received a 25 per cent interest in a new business because his priority would get a phone. Healthy people have persuaded doctors to report them and took his phone away.

sick; this got so bad that in some telephone offices a group of employes was armed with medical dictionaries. They sometimes discovered that a formidable-looking medical term in a doctor's report simply meant the patient had a bad cold or a sore throat.

Some people living in New York apartments have rented office equipment and pretended a bedroom was a business office. In one instance a lawyer claimed his office was in his home and showed an investigator a room fitted out with desks, files, typewriter and even shelves filled with law books. This man got a phone but the investigator was still suspicious. He waited three weeks, then called the number and asked, "Can I speak to Joe?" Told "Joe's down at the office." he tracked the man down

Day or night, the telephone man will be a welcome visitor

Some telephone business offices have girls who've never had a chance to answer "Yes" to a phone request. In Nashville, a bright, attractive girl went to work in the business office, stuck it out for a few days, then begged for a transfer. "I can't stand it," she said. "They tell me their troubles about not getting phones and I can't sleep nights."

While trying to meet demands for standard equipment, the Bell System has been pushing new developments. It has been changing long-distance systems so an operator in Philadelphia, say, can dial a number in other cities directly, without calling in other operators. This is a step toward an old telephone goal still a good many years away: subscribers dialing their own long-distance calls.

#### Mobile phones installed

SINCE the war the Bell System has also put in a mobile radio-telephone service whereby one can call any of the nation's 35,000,000 phones from an auto, truck, ambulance or other moving vehicle. This service has been introduced in 81 urban communities and on highways from St. Louis to Chicago and from Washington to Boston. Four thousand vehicles are now equipped with two-way phones and more than 8,000 additional drivers have orders in-unfilled largely because the Bell System hasn't been able to get enough radio channels allocated. Several thousand other vehicles are using private mobile systems installed by Bell.

In two years this service already has built up a bright record for saving time, money and lives. Dry cleaners use the mobile phone to hasten pickups, baking companies to hurry special deliveries, newspapers to dispatch photographers, oil companies to expedite fuel deliveries, wrecking companies to save miles of extra traveling. At least a dozen private police agencies employ it to protect property.

Last year, when Texas City was almost wiped out, an emergency unit from Houston soon used up all its medical supplies. Long-distance lines out of Texas City were jammed, but the unit quickly replenished its supplies-it had parked a truck equipped with a mobile phone out on the highway where Houston could be reached by radio. These by-products of the Bell System's postwar expansion are perhaps even more impressive than the unprecedented demand for its most familiar commodity, the common telephone.



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# Wasting Our Way to Progress

#### By HERBERT HEATON

N 1759, when the Seven Years' War had turned overwhelmingly in favor of the British, Horace Walpole wrote in his diary: "We are forced to ask every morning what victory there is, for fear of missing one."

Nobody is forced to ask today about the progress of the great investment boom through which we are passing. The evidence rolls in unsolicited. In one day's mail I was told of plans for plant improvement and expansion by a railroad, a telephone company, the automobile makers, "Big Steel" and the

oil firms. In a single issue of the New York *Times* I read that American business expected to put more than \$4,000,000,000 into new construction and equipment in the first quarter of this year, and that the light and power industry alone plans an outlay of \$6,000,000,000 in five years.

From abroad come similar reports. The British Labor Government's estimate of gross investment in construction, plant, machinery, vehicles, and ships during 1948 totals at least \$6,000,000,000. Australia is riding on a wave which

has brought \$70,000,000 of new capital in from abroad and has drawn a large sum from native pockets. Finally, Russia plans to invest 60,000,000,000 rubles in industry this year.

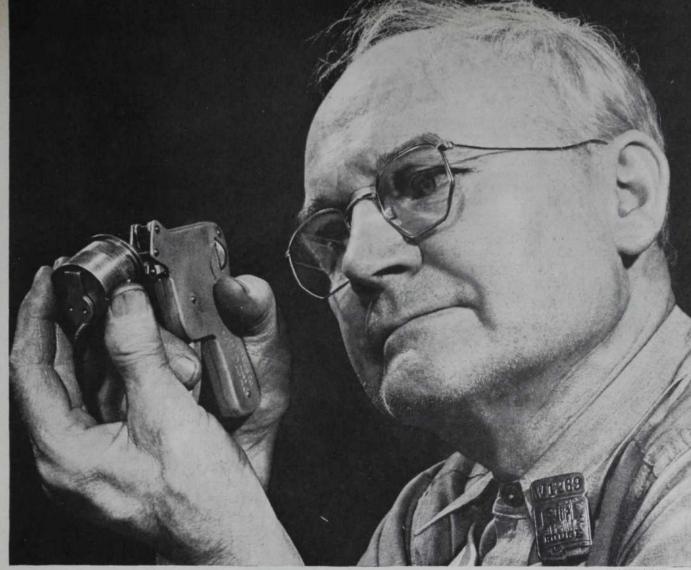
To the economic historian there is nothing new in this. It is just the latest of a long string of similar booms that can be traced back three or four centuries. Yet one or two things stand out. In the first place, the boom has not been caused by any epoch-making technological innovation, such as came with the railroad in the nine-



SCRAP: It took a war to make us scrap conscious so we'd save tin cans, metal, old tires and waste fats



LAND: We have squandered natural resources of the soil and subsoil without too much thought of the morrow



SKILLS: Time, skill and human energy have been the really

scarce resources which Americans have had to husband continuously

teenth century or with the automobile and electricity in the first 30 years of the twentieth. Instead, it is the result of our trying to do a lot of unspectacular familiar things all at once.

We are making up for the years of depression and of war when we wore out equipment faster than we replaced it. Because of those years, Prof. Sumner Slichter of Harvard University estimates "an expenditure of about \$50,000,000,000 would be required to raise capital per worker to the level of 1929, and a considerably larger outlay to raise the capital per worker to the level that would be normal in view of the long-term tendency of capital per worker to increase at the rate of about two per cent per year."

Fifty billion dollars used to mean about half the total cost of building the entire world's railroads. It still is a lot of money; but, if the boom continues long enough, we may eventually have spent that vast sum in improving, overhauling and expanding our capital equipment.

What are we getting for the money? What sort of new equipment is replacing the old or ex-

panding the productive and transporting capacity of the country? If you read the reports from the various industrial fronts you realize that the forces and attitudes which have distinguished our whole American economic development

#### Wasting resources

still are at work.

WE HAVE always been extravagant of resources which were abundant and cheap, but have sought to use as economically as possible those which were scarce and costly. In these respects we are not different in kind from people in other lands; but we have differed in the degree of our extravagance and in the resourcefulness with which we have sought to be economical. It took a war to make us save old tires, waste fat, and tin cans. It has taken two generations of preaching-and some federal subsidies-to make farmers think about conservation; our Sunday papers go up in price

rather than down in weight, and our automobiles seem to have been engineered with only slight thought of miles per gallon.

The things we have been able to squander extravagantly, or at least without too much thought of the morrow, are the natural resources of soil and subsoil. Even Nature has behaved that way toward itself, for what is the Grand Canyon but a supercolossal Technicolor piece of erosion? At every step in the progress from fishing and furtrapping to the comprehensive diversity of our matured economy we have had virtually all that was needed, and in abundance. This is one of the facts that has always impressed visitors from the small lands of Europe. A British automobile executive, who visited us last year to study materials and processes, was struck by the fact that the American engineer has so many materials from which to choose. If we sometimes get worried over the approaching day of exhaustion of some resources, it is

good to be reminded by such outsiders how relatively well off we still are.

The really scarce resources which Americans have had to husband have been time, skill, and human energy. Our reputation as a nation of hustlers is well-grounded. Even in Benjamin Franklin's day "time was money." The climate helped to make it so. With brief springs and falls separating the two main seasons, jobs had to be done by a certain time: the harvest before the first frost, the seeding in a hurry, the maple trees to be tapped at the right time, the flaxseed to be delivered in port by the end of January if it was to get to Ireland in time for the spring sowing of the flax fields.

As the country became industrialized, as the population grew, and as settlement spread over 2,000,000 square miles, the problem of being "on schedule" grew. Goods had to be produced and moved in greater volume, the barrier of distance had to be surmounted, more deadlines had to be met. Mountains of ore had to be transferred from the mines of northern Minnesota to Lake Erie ports before ice

blocked the route. The flow of machines and other supplies to the farm, of crops to remote markets, of processed foods to the stores, of gasoline to countless stations, and of various materials through many processes to completion or to the assembly line, these are obvious instances.

#### Speed saves inventory

MANY business men may recall how relatively recently many aspects of this speed and certainty were achieved. Only in the 1920's did some parts of production, transportation, and distribution become so smooth, quick, and reliable that hand-to-mouth buying became safe. This freed the manufacturer or distributor from the need for carrying large stocks, reduced his bank loan, cut down his interest charges, and lowered the fraction of his plant that had to be devoted to storage space.

These two problems of time-saving and volume-handling have left few sides of our workaday—as distinct from our political—world untouched, and machines have been perhaps the chief im-

plement for coping with them. We all know how a bank looks and sounds like some sort of factory. But few people know how one of our large occupations has been driven to heavy expenditure on mechanical aids to do an enormously swollen job by a set date. I mean the colleges and universities.

When we used to talk about a university "plant" we meant the buildings and the equipment actually used by teachers and students. Today we must include the machines in the administrative offices, and especially "The Machine," "That Machine," or "That d—— Machine" which has been installed to speed up the registration of students. Into its maw is fed the student's name, college, year, the course he has chosen, and a variety of other data. Then strange things happen.

If the student has registered for a class which is already filled to capacity, a red light shows, a gun is fired, a whistle blows, or some other sort of eruption takes place to indicate that he must select another subject for study.

Copies of the record go to various offices, some of them on pieces of what looks like a length of superior paper towel. Faculty members receiving them roll them up, try to avoid becoming wrapped up in them, and pray for the day when the boom in education will end. Yet classes start on the due date: everybody theoretically knows who is where he ought to be; and, on this leviathan, plus the rest of the machine shop, a large university may pay as much annual rental as would provide the salary of five or six full professors.

#### Skilled labor was needed

THE second scarce resource with which American development has had to cope has been labor. The scarcity rarely was one of pairs of hands, because these were born or immigrated in quantities usually sufficient to meet our needs. It was rather a lack of the specific kind of skill and know-how needed for doing some new sort of job. Of course there was always a solid skilled core in the immigrant body: Yorkshire and Lancashire textile workers, Cornish "Jocks" who seemed to smell out copper ore in all continents, German brewers, British coal miners, and lots of others. But, if they were to be lured to America, they must be paid high wages. And if New England farmers' daughters, French-Canadian peasants' children, Irish refugees



EATPETE FROM BLACK STA

LABOR: American development has made labor another scarce resource in terms of specific know-how needed to get out production

from the potato blight or the British, and legions of central or eastern European rustics were to be used in industry, the machines they tended must be so nearly automatic that the job of feeding, starting, and stopping them could be learned in a few days and must be so productive that the labor cost per unit would be low.

Today the emphasis and the problem have shifted from lack of skill to high costs of labor and material. Of the banks it has been said that they are "now eagerly seeking improved methods and the utmost in mechanization to offset rising operating costs." The industrial journals are filled with stories about the search for improvements in machinery, plant layout, and handling equipment which will shave a little slice off production costs or reduce the expense of moving material into the plant and from one part to another.

#### More efficient machines

WE read of a new tungsten carbide tip for a tool which, by cutting faster and lasting 35 times as long, will save a fifth of a cent in a single operation on a certain axle part; of a new bolt-making machine which does the work of 14 old machines; of the trend toward automatic devices which perform a series of operations on a single part; and of the newer types of conveyor lines which seek to reduce walking, lifting, and hauling by workers to a minimum. If one looks abroad, the same feverish effort is apparent, as for example in the struggle of the British coal industry to rush the installation of machines which will cut down the amount of labor needed to get the fuel from the coal face to the surface. Mechanization is everywhere striving to displace manual operations; and, if a new, better machine can be designed, the old one, though still possessing plenty of life, may be scrapped or at least laid aside.

It thus seems probable that we shall emerge from the present boom with a greatly improved and expanded physical plant. We shall have eliminated many wasteful aspects of time, skill, and energy. But in this world nothing is free. In industry we shall still be paying for some waste in materials or resources, doing it grudgingly but still willingly, because it is part of the price we have to pay for the savings in more important directions. To save time costs money; but not to save it may cost more.

There are lots of illustrations of



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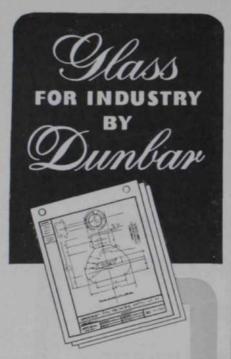
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DUNBAR, WEST VIRGINIA New York Chicago Cleveland Los Angeles

this willingness to be wasteful at one point to save at another. During the war I read a British claim that they got more shipbuilding per man-hour than we did. I investigated. The explanation was that we kept large armies of men in reserve waiting for vessels to come in for repair. When a ship was coming, the details of its damage and its needs were radioed ahead. The shipyard then got all the new parts ready. When the vessel was dry-docked, the reserve force swung into action, the repair was done quickly and the ship was able to go to sea in a few days.

Other illustrations can be seen in the production of a daily paper, of a big weekly, or of such a monthly publication as Nation's Busi-NESS. America has led the world in the invention of printing machinery. Rapid production has saved many an editor's face from being red by allowing him to write on the basis of what had happened just before he went to press rather than of guessing (wrongly) what was going to happen. It lets advertisers get fresh copy inserted, and it puts a whole issue on the stands or into the mails overnight. It costs a lot in machines and wages and it wastes a lot of paper, perhaps as much as ten per cent. But, judging by the results, it still seems to be smart publishing.

#### Machines save manpower

AGRICULTURE could supply countless examples of the same sort of combination of savings on the one hand and of what looks like, but probably really isn't, waste on the other. The basic fact of American farming is that, during the past 30 years we have produced more with fewer workers. We once had nearly 12,000,000 people working on farms; today the figure seems to be not much above 8,000,-000. As you drive through the Texas Panhandle, and look at the endless fields of winter wheat, you have to strain your neck searching for the few farmhouses. Never in agricultural history did consumers owe so much to so few workers.

All this is another way of saying that, as a people, we are the most aggressively mechanically minded folk on earth. A friend of mine installed a pencil-sharpener in his son's playroom. The lad, aged about four, put the pencil in the hole, left it a few minutes, pulled it out, and was chagrined to find it was not sharpened. I explained that this machine had not yet been fithad to be cranked. I turned the handle a few times, we left the pencil in for a minute or two. pulled it out and, behold, the job had been done. But the boy asked his father when he would be able to buy an up-to-date model.

That lad already was revealing one of the many assets that have helped us in our quest for technical improvement.

We have been free from traditional approaches to problems; or to put the matter more accurately, the traditions all are favorable to a belief in change, since they are deep-rooted in at least 150 years' records of energy, enterprise, and ingenuity.

In 1853-54 a commission of British industrial experts came to the United States, saw, and were conquered. In designing machines, they wrote, "the Americans showed an amount of ingenuity, combined with undaunted energy which we would do well to imitate." When James Nasmyth, England's leading machine-maker, went to inspect the small arms factory which the American, Colt, built in England in 1851, he confessed himself humiliated by what he saw.

"The acquaintance with correct principles has been carried out in a fearless and masterly manner, and they have been pushed to their full extent. The result is the attainment of a perfection and economy such as I have never before seen. . Many English workmen know the correct principles, but there is a degree of timidity resulting from traditional notions and attachment to old systems, even among the most talented persons, so that they keep considerably behind."

Industrial history since Na-smyth's day shows that the acquaintance, the manner, the pushing, and the result have changed little.

#### We scrap the second-best

THE second asset is the willingness and the ability to make changes, to scrap what still is good in favor of what promises to be better. This again is in contrastsometimes marked-with European conditions, and is due to many tangible as well as intangible factors. For instance, early English textile mills had to be built of brick or stone, for lack of cheap lumber. They were solid and costly, but they have lasted a long time, and their plan or their location in a crowded town makes it difficult to extend them or to adapt them to a better layout. The American ted with a self-starter, and hence mills were built of wood, and their destruction involved no serious loss of funds.

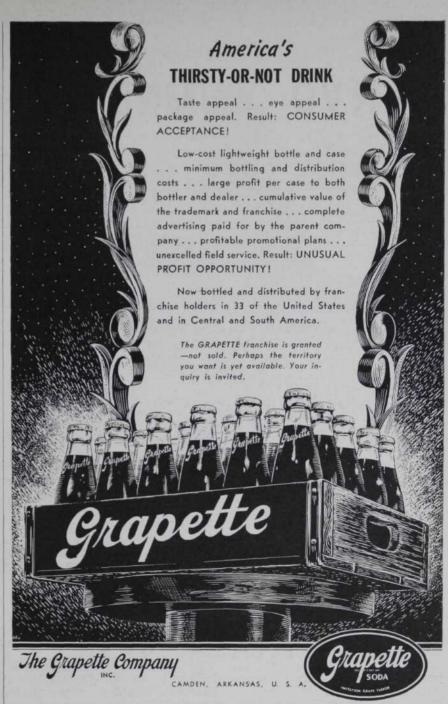
Many American factories have been built since the dawn of the automobile era. Workers can reach them in their own cars, and the plant can therefore be placed out in the country where land is cheap and there is room for expansion or remodeling. Further, a new product, made at first expensively for a few, soon was converted in America into one made cheaply for a mass market, and the loss incurred by scrapping the old machine could be spread over a large output. Lighter taxes have left the American industrialist with more money to spare, and the tax-collector is more generous in allowing deductions for depreciation than is his counterpart in the European coun-

The problem of getting capital supplies for improving fixed plant goes still further. The older European enterprises, such as coal mining, railroads, and textiles, gradually became less profitable. Investors often weighed the relative merits of domestic and foreign opportunities and decided in favor of the latter.

There is evidence to suggest that British industry was starved of new capital during the two decades before 1914 because of the higher rates that could be earned on Canadian or Australian gilt-edged loans or the promise of large dividends from Malayan rubber, South African gold, South American railroads, and other fields for capital exports.

#### Low wages slowed progress

FINALLY, the lower wage levels and abundant skilled labor supply in Europe tended to make operations with old-fashioned plant profitable until wages rose, labor became scarce, or unions grew strong. World War I jolted wages up and profits down, and led to drastic overhauling and "rationalization" in some cases, such as the British railroads and the German coal and steel industries. But these measures failed to make the old enterprises profitable or attractive to capitalists. Some of them were forced to seek salvation during the depressed '30's through cartelization rather than by reorganization and re-equipment. Our own experience was not very different, during the '30's, and it is good for our souls to remember that not all American industry is streamlined, on its toes, rearing to go for the latest time- or energysaving device.







### NARVO WUMND LYADI



ILLIAM J. MITCHELL, a jovial open-faced man in a crowded office in New York's Wall Street district. is kingpin in a small but important industry. Mitchell is a cable code-maker. For the benefit of import and export firms, international bankers, stockbrokers, steamship companies and practically every sizable dealer in international trade, he dreams up such beautifully concise combinations as NARVO ("Do not part with the documents"), WUMND ("Have every reason to believe oil will be struck"), and LYADI ("Arrived here with decks swept, boats and funnel carried away, cargo shifted,

Because cable charges are expensive and Mitchell can extract 450,000 money-saving, five-letter code words from the English alphabet, he does a thriving business. In addition to his general code books at \$42.50 per, which are now used by some 30,000 firms throughout the world, he has compiled about 60 private codes for large American companies such as

having encountered a hurricane").

as four years compiling a code book

General Motors, Standard Oil of New Jersey and Bank of Manhattan, at fees running from \$25,000 to \$50,000 per compilation.

Turning out the code itself is a highly complex job—a science known to about four professional compilers, including Mitchell, and a few dozen experts in the communications departments of the largest corporations.

To put together a code book of 100,000 to 400,000 phrases takes Mitchell, working with three expert code assistants and six stenographers, two to four years. No ivory tower affair, dreaming up a private code starts with a requirement analysis that may take months of study of a company's products, branches, methods of doing business, as well as a scrutiny of hundreds of thousands of messages it has sent over the years.

To compile a general code book takes a knowledge of business trends and practices in the various industries which will use the book.

A good general code book can save its user from 17 to 25 per cent of cable charges. A private code saves from 20 to 25 per cent.

The code business has settled down a little now, after years of constant upheaval. When international code regulations started in 1895, under the direction of the International Telegraphic Union at Berne, Switzerland, the rule was that any combination of ten letters or less would be charged for as one word.

However, the combination had to be pronounceable in one of eight languages: English, French, German, Italian, Spanish, Portuguese, Dutch or one Scandinavian lanpnage

Then in 1906 Bentleys of England brought out a complete phrase book, using five-letter code words, two of which could be combined to get under the ten-letter charge rate. But Bentleys' words weren't pronounceable, telegraph companies kicked, and a war was on. Use of the five-letter code grew. however, and finally had to be accepted unofficially by telegraph companies because of competition.

In 1929 the I.T.U. revised its rules, allowing ten-letter combinations, pronounceable or not, which had a minimum of three vowels—two in the first five letters and one in the second, or vice versa. Finally, in 1934, the ten-letter code word was eliminated and the five-letter standard was adopted without restrictions as to vowels or pronounceability.

#### Two-letter differences

THE big problem in compiling a code is to have each five-letter combination differ from all others by at least two letters. Practically all codes today are on that basis. Without the two-letter difference. mutilations in sending may lead to trouble.

Some years ago, one American firm doing business with a Japanese firm, wired an offer of LETNA EPNSD, meaning \$38. What the Japanese merchant received was a mutilation-LETAN EPNSDwhich translated \$36. The transposition, unknown until the damage was done, cost the American company thousands of dollars.

Code books today are eminently respectable. Once cursing was common. In the old codes, for example, there were combinations for such emotional explosions as "Dammit, why don't you obey orders.'

At the moment, a code-compiling boom is under way. For one thing, during the war the enemy compromised several private codes. Mitchell is now busy devising others for the firms affected.

Moreover, an increasing number of small companies are coming to realize the usefulness of codes. According to Mitchell, all you need is to spend \$50 a month in cable messages and a general code book can save you money. With code saving up to 25 per cent of the \$50, the \$42.50 code book pays for itself within four months. There's one catch: not only you but your correspondents must have and use the same code book.

#### In codes 25 years

MITCHELL has been in the code business for 25 years. He started in the import and export business in 1917, got to dealing in codes, then joined the Acme Code Co. of which he is now a proprietor.

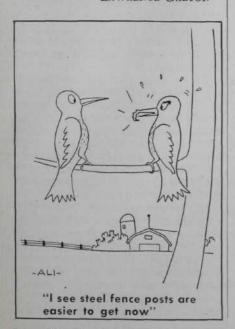
It's a fascinating business, Mitchell says. But there's one trouble: the people who bring in amateur messages to be decoded. Experts, it seems, have blind spots for simple

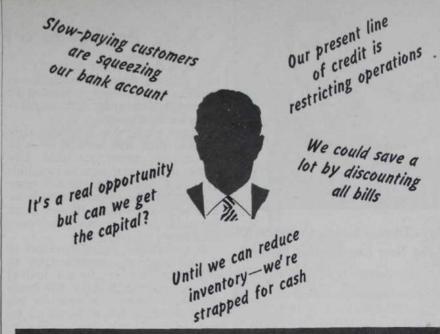
amateur codes.

Some years ago, a lady appeared in Mitchell's office, flushed and feverish, brandishing a cablegram from her husband in the Far East. For days she had puzzled over it.

Mitchell and his whole staff puzzled over it for hours. This was in the days of the ten-letter rule and the message had just two ten-letter combinations. Finally, the code men got it. But they wear sheepish looks to this day over the length of time it took. If you're no expert, you'll probably get it in half a minute. The message read: SESSIKEVOL SEHSIWTSEB.

-LAWRENCE GALTON





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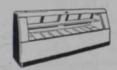




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#### NATION'S BUSINESS

Washington 6, D. C.

#### Banker to a Promised Land

(Continued from page 41) and general fiscal housecleaning. Somehow, loans never seemed to come through until such suggestions were followed.

It was rough going for the new team at first. But McCloy stuck to his course; never got mad. The Bank, he pointed out, to function as a real world aid, must inspire confidence. Investors abroad, as well as in the United States, must be convinced its securities were good buys.

In every case, before directors of 14 nationalities, representing 46 countries, these calm but logical arguments won. McCloy, the Bank president without a vote on his own board, got the decisions he wanted.

#### Calmness is asset

FRIENDS say McCloy owes much of his success to his exceptional faculty for never allowing himself to become upset. Certainly it serves him well. Not long ago his chartered civilian airplane landed by mistake on a military airfield. An excited young guard rushed out, shouting, "Get that ship off the field." McCloy calmly apologized and asked for the commanding officer. No, the guard hollered, he couldn't see the commandant. In an unexcited voice, the unwanted visitor remarked that the guard was exceeding his authority.

"Just who in hell do you think you are?" bellowed the guard.

"I'm a plain American citizen right now," said McCloy, still completely cool, "but I used to be assistant secretary of war."

The guard stiffened, swallowed, snapped to attention.

"Sir," he stammered, "let's just forget anything at all has been said, and start all over."

Similar technique in the World Bank's management has paid off. When McCloy argued with hotunder-the-collar borrowers for reductions in their loans, he made the point always that it would be impossible to spend the money as fast as anticipated. World production was too lean. Deliveries of heavy machinery were too slow. His logic was so sound that none of the debtor countries except France has been able to spend all the credit extended. Of the \$513,000,000 of loan commitments, advances April 1 totaled only a little more than \$300,000,000.

loan follow-up system proved equally justified. In one case petroleum, allocated under loan for industrial use, found its way to naval storage tanks. Some ships bought with loan money were actually resold to another country. A few commercial transport airplanes somehow turned up in military service. The Bank is certain these were unintentional diversions, but on-the-scene checkers caught every diversion. The Bank promptly presented a bill for repayment of diverted spending.

As anticipated, U.S. government money and U.S. investors will carry the burden of the International Bank financial load for the first few years. It was agreed in the Bank's Articles that 20 per cent of the full subscription of member nations would be used for loan purposes. This Government has paid into the Bank, to be used for loans, \$635,000,000-its full 20 per cent. All other nations have paid \$96,-847,000 in gold or dollars subject to loan. This was the initial two per cent required for Bank membership, minus fractional postponements by four war devastated nations.

#### Funds are subscribed

AN additional \$915,858,000 has been put up by other countries, in their own currency, to meet the 20 per cent requirement. However, all exercised the right to withhold this from loan use until the condition of their treasuries improves. Of the total subscription of \$8,263,-100,000 for all the 46 members, the remaining 80 per cent—or \$6,610,-480,000—is always subject to Bank call for a bond default or other obligations.

The actual loan pot was sweetened by the \$250,000,000 bond issue last year, by \$2,000,000 in francs which Belgium released, and by earnings, which paid operating costs and sent the Bank into the black this spring. Today, with \$513,000,000 already committed, the Bank holds approximately \$469,000,000 of lendable cash.

Borrowers generally have paid 4.25 per cent interest on loans, including a one per cent commission charge, with a delayed payment on the principal, to get postwar reconstruction going. So far, the Bank has been able to borrow money from investors at 2.9 per cent. Unloaned cash on hand works for the

International Bank, in salable short-term U. S. government securities.

While all loans thus far, except to Chile, have been for reconstruction purposes, the Bank is actively interested in resource development prospects. McCloy talks enthusiastically about Africa, the Middle East, and other far places where development loan vistas look bright. A number of private loan applications—the Bank can lend to private firms, even individuals, if a member nation guarantees the loans—are under consideration.

#### Many want loans

APPLICATIONS now on file at the Bank would more than use up loan cash on hand, if all were granted. Mexico wants \$208,000,000; rich, tiny Iran seeks \$250,000,000. The Czechs, Poland, Yugoslavia and Italy all want money. In the case of countries behind the Iron Curtain, or even fingering its searing edges, the Bank will go slowly, of course. There is a clause in the Articles of Agreement banning political considerations in making loans, to be sure. But these same Articles admonish the Bank to keep a sharp lookout for any changes affecting economic conditions.

Russia, incidentally, was a most enthusiastic participant in the Bretton Woods conference. At first she seemed willing and happy to join the World Bank. As it became clear that the Bank required detailed information on government fiscal affairs from all members, the Muscovites' ardor cooled, and they passed up the signing date.

For all the power and influence of 32,000 U. S. votes in the Bank (all 46 members' votes total 94,-131), the American leadership exerted is not the domination which it often seems. Many of the Bank's 14 executive directors were once finance ministers of the governments which they represent. All are men of wide ability.

Bank powers are formally lodged in a Board of Governors, named by each country. Most of the governors' powers, however, have been delegated to the executive directors. While the voting strength of each one is limited by his member country's monetary participation in the Bank, a sizable group could gang up and outvote the United States.

In the final analysis, American leadership equals exactly the confidence in his judgment and faith in his sincerity which John Jay McCloy, as president, inspires in the Bank's directors.

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#### "That Burns Me Up" is Not a Wisecrack

(Continued from page 46) woman. It was nice, easygoing, coffee and doughnuts love with a nice, soft, pretty woman who thought the sun rose in his forehead and set in his vestpocket. He bucked out of his hard-driven marriage, cheerfully turned over half the business to the woman who had made most of it, married the other and lived an ulcer-free life ever after.

The story seems singularly destitute of morals, somehow, but that's the way life often is. The rule apparently runs in reverse in this case. The abandoned wife had no ulcers. Perhaps she did not grieve when she lost a dead one.

#### Blaming the wrong things

TAKE the case of the baseball player with the horrible pain.

He ran into a batting slump in the 1947 spring training. He had had his appendix removed late in the 1946 season and, when it got so that he could not hit a haystack with a bamboo pole, he was convinced that something had gone wrong inside. He went to the hospital and groaned all day long. His mates called on him with flowers when someone made them do it, and he began to talk of the years of suffering that lay ahead. Then the doctor fixed things with the manager:

"You go out and sit on the bench every day," he was told. "Sun'll do you good. When you get

strong enough, you might bat out a few easy ones just for fun."

Somehow he forgot all about the horrible pain. what with the baseball talk and sights. Soon he was whacking them down the alley just as he used to do. The fact was that he had run into a streak of no-hits, just as every other great batter does from time to time and got to worrying about it. By and

by he blamed everything on his operation. As soon as he got to whacking the ball, his trouble vanished. It had been in his worry and not in his belly at all.

Objection may be lodged against the following anecdote on moral grounds. Nothing good, in short, may be said for it, except that it is evidence that thorough relaxation is a cure for some troubles.

sounds automatically rose in his throat when he saw a pretty girl. He was devoted to a charming wife and his two lovely children-but there you are. He was not a man of bad character so much as he was socially of no character. Life's blessings are not always equally distributed. So he went on his careless way without a worry, whistling a love call at every corner. Then-

A citizen beat him up in the lobby of the Bank of Commerce and in the presence of three men through whose veins ran nothing but pure gold. He lost his job and the b. and l. association said it was sorry but he was already behind too many payments and if he could not make some arrangement he was out one house. His wife hired out as a model, nature having been kind to her that way and besides she had always wanted to do it. Mr. B. came down with pains in the heart and demanded pills:

"Maybe you won't die," said the



Learn a lesson from the dog and take it easy

doctor, who was a follower of the new school that believes in telling the patient all the bad news. He didn't like Mr. B. very well anyhow. "No more whisky or tobacco, and early to bed and never touch pork. So we'll see."

Mr. B. bought a five dollar ticket in the Touchstone Lottery. This was wrong, because gambling is immoral and especially wrong be-Mr. B. was a wolf. Amatory cause the Touchstone Lottery had

the financial stability of an early morning fog. The Touchstone Brothers planned to cover three New England states with phony tickets and then blow away. But Mr. Max Touchstone had breached the peace on the home grounds of a hard-hearted sheriff who by accident learned of the lottery venture and other things. He hid Mr. Max in a cold New England jailhouse. Some question of ethics arose at this juncture and a part of the solution involved a payoff on the lottery. The reader has guessed it. Mr. B. won a prize in a thoroughly crooked lottery and paid off the mortgage; the girl said it hadn't been Mr. B. anyhow; he got his job back; Mrs. B. went on modeling and his heart disease disappeared.

All of those heart pains were worry. He hasn't had any since. He goes on whistling.

#### Cured by a quiet life

CHARLEY CHAPIN was the most formidable city editor in existence when he was the commissar of the long dead Evening World in New York. To this day there are aged reporters who believe in a future existence mostly because they think they know just where Chapin is in it and how deep. He had variegated pains and no reticence whatever. As a nation we had not grown up to ulcers at that time and maybe Chapin did not have any ulcers anyhow. It would be a tough ulcer which could put up with him. A city editor's life is a racking one at best, but Chapin gave life a two-rack handicap and won handily. Stories about Chapin are legal tender in any old-timers' gathering. The only good thing ever said about him was that he

was devoted to his wife.

Then he killed his wife and was sent to Sing Sing.

There he had no editions to meet. No reporters came in glass-eyed from assignments to report they had not gotten farther than Perry's. He became the prison librarian with a side issue of rose-growing in the prison yard and his pains

disappeared and he quit snapping at flies and he was mild and affable. All this happened years before the modern theory was developed that mind and body are not two parts but only one, but the prison physician set foot on the pioneer trail.

"Chapin," he said, "is relaxed. He has nothing here to bother him. He is a well man nervously and physically."

If undue attention seems to have

been devoted to ulcers in this article the explanation is simply that there are so many of them. Or there is so much talk about them. Dr. Flanders Dunbar, prominent New York psychiatrist and medical author, tells of a young woman who had a moderately unhappy love affair and a burning sensation. Most of us, probably, are adepts at self-diagnosis, or think we are. She put one and one together and it came out ulcer so she went to the clinic.

"But no," was the report. "No ulcer. Just a case of feverish frustration."

Apologies at this point, first for the non-medical language which is about to be employed and second, because this seems not to be Dr. Dunbar's story anyhow. She told of a different woman. At any rate the girl had a pain, the man had a wife and was willing to get a divorce and marry the patient, but the patient's father and mother acted as though this would be a fate worse than death. Home became a sort of one-girl concentration camp with sound effects.

Still no ulcer. They X-rayed and fluoroscoped her to a fare-ye-well, but no ulcer. A pain, yes, especially after an emotional scene or sauerkraut. She went to and from the clinic like a badminton bird. Fluttering but unscathed. Then the love affair took a turn for the better. Father and mother swept the ashes out of their hair and said that, after all, she was grown up

and if she wanted to marry the guy she could use the front parlor for the ceremony.

The man gave three cheers. Then the girl said she could not do it. She could not do such a foul trick to the young man's wife, who had been her pal all her life and was an adorable woman and would everyone stop talking about it.

Then she went back to the clinic and had her ulcer. It didn't last long, though. Somehow the emotional tangle in which she had gotten herself snarled untangled.

#### More psychosomatic studies

THERE are scores of cases outlined in the many books which have been written on psychosomatic medicine. Johns Hopkins and other great hospitals are studying the subject. It is probably fair to state the verdict generally reached in the words of Dr. Dun-

"The relationship between the particular kind of trouble which the individual develops and his whole background of psychic experience has been well established. The physician may not be able always to trace that relationship along all the blocked and tortuous channels through which it has passed but it is clear that he will have a better chance if he starts early."

Precisely how the patient may be cured of the worry which is responsible for his trouble does not ap-

pear. Some sufferers have gone to rest cures and, in their new leisure, have worried all the harder. Some have been cured by resting. Some have changed jobs and their psychic troubles disappeared.

Others have gritted their teeth and determined to stop thinking about their troubles and have succeeded. Hunting and fishing might help one man and make another man worse. One man might determine for himself what his trouble is and, "by opposing, end it." Another must have the patient and understanding care of a physician.

These things are submitted in support of the theory that mind and body are one and the reader is strongly advised not to fall in love or lose his temper or worry. Take a tip from the dog and forget your troubles.

Because, if you do not, they may burn you up.





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#### There is Still Time to Stop Inflation

(Continued from page 35) fers. We shall consider them under four headings: 1, direct controls, 2, reducing the volume of means of payment, 3, credit restriction, 4, public finance.

But two things should be kept in mind

First, there is no single remedy for the disease.

Second, it is not possible to stop Advanced Inflation without producing some symptoms of depression.

This puts the idea of a "rollback" of the price level out of court. Individual prices that are out of line will correct themselves if allowed to do so or may, in certain cases. have to be corrected by special action. But any attempt to reduce the price level as a whole would intensify the inevitable depression and cause widespread unemployment. The partial expropriation of bondholders, policyholders and other groups is no doubt regrettable. But we shall be lucky if we succeed in salvaging for them what they have left.

1. Direct Control of Prices, Consumption and Production: Such measures aim at suppressing the symptoms of the disease. Moreover, by suppressing the symptoms, they prevent necessary adjustments. But the public understands them readily and they afford opportunity for hitting unpopular scapegoats. Hence such measures always appeal to politicians. Three bills before Congress sponsored by Senators Capehart. Barkley and Taylor, bear witness to this. From Roman times on, such measures have been tried out in innumerable cases, never with success.

In our case, the public's growing impatience with bureaucratic vexations and the difficulty of extending the "freeze technique" to wages constitute obstacles that make these proposals hardly worth discussing.

This is not to say, however, that allocation, price control, and even rationing may not do more good than harm in individual cases, particularly when the Marshall plan gets under way. It is true that this plan will absorb no more than about three per cent of the nation's output and that it may not raise exports above the 1947 level. But it is at this level that inflation threatens to get out of hand

and that a public demand for direct controls must be expected to develop.

The measure for European rehabilitation that has been recently passed, whatever we may think of it from other standpoints, must be considered as the most serious individual feature in our financial situation, especially if we fail to adjust to it our policies of taxation and of wages. There is no justification for hiding from the people how serious the burden is which it is bound to impose upon all classes of society. The relation of the measure to the revival of plans for direct control is obvious.

2. Reducing the Volume of Means of Payments: Since it is the creation of new money, no matter whether greenbacks or deposits, which causes the trouble, the natural remedy seems to be to eliminate it again. This can be effected by converting the inflated mass of money into a smaller amount which is what the Austrian Government did in 1811 and what has been done recently in Russia.

Or it can be effected by a capital levy the proceeds of which are to be destroyed. This was tried in several countries after World War I, always without success. With rigid price and wage rates, such an experiment would be much like trying to make a man stand up by pulling his chair from under him. It is difficult to see what difference it makes whether a man has more dollars with a lower level of purchasing power or fewer dollars



with a higher. Stalin's measure would have been meaningless but for the levy on the peasants which it achieved.

3. Credit Restrictions: Those of us who believe that return to the principles of private enterprise will most speedily repair the ravages of the war realize, of course, that this implies the reestablishment of a normal money market. Accordingly, some advocate that cheap-money policies should be abandoned, that interest rates should be allowed to find their level, and that the Federal Reserve system should rely on discount policy, open-market operations, and the other methods of traditional money-market control.

This is in fact an important part of any program of long-run normalization and should be kept in view as the ultimate goal. Every business man and especially every banker should also realize, however, that the inflationary process has by now gone beyond the range within which orthodox banking policy can be expected to be effective and that, especially in a country with 14,000 banks, additional methods of credit control are necessary in order to reach that ultimate goal.

The argument that establishes this necessity runs as follows: The normal functioning of our credit system, as it established itself at the beginning of the 1920's, requires that the banks' ability to lend be regulated by the Federal Reserve system through its control over commercial bank reserves. No serious economist has ever denied that such regulative powers are necessary if excesses of lending and the consequent breakdowns are to be avoided.

But at present these regulative powers of the Federal Reserve system are paralyzed. Moderate increases in discount rates have little effect in inflation. Moreover, commercial banks hold about \$70,000,000,000 of government securities which they can sell to Federal Reserve Banks thereby creating additional reserves and increasing their ability to lend, under present conditions, by six times the amount sold.

Even if we disregard the further increase of reserves that results from gold imports, this is a potential source of inflation compared with which the existing degree of inflation is as nothing. Nor is this all. Further expansion of credit must lead to further depreciation of the dollar in terms of commodities and services. This is bound to

set in motion the mass of government and other bonds in the hands of non-bank holders. If the Government and the Federal Reserve system refuse to take up this supply, they may make matters still worse, because holders will then be even more eager to get rid of depreciating assets.

The poorest credit restriction scheme is in such circumstances better than none. Most of the proposed schemes, however—such as further increases in reserve requirements, limitation of the right of commercial banks to hold securities against deposits, establishment of special reserves to be held in Treasury bills and certificates—would do something to improve the situation.

It is true that such restrictive measures carry disadvantages and dangers. Those who advocate re-

strictions on industry's ability to borrow for plant improvement advocate sacrificing the nation's future to the present. Those who advocate withholding credit to an industry faced with incessantly increasing wages are advocating

increasing wages are advocating unemployment. But we have no choice except as between evils.

There is something that may be done, however, to minimize undesired effects of those controls. The most obvious danger points lie in the fields of consumers' credit and of mortgage credit on housing. Both have increased during the past few years, and are increasing still, at a rate that is incompatible with sound principles of credit management. Credit restriction might be chiefly directed against them. This would mitigate inflation and at the same time take account of the truth that the best remedy for inflation is increase in production.

However, if this increase in production is to have any positive effect, the volume of credit must not rise in the same proportion. In other words, an increase of production that is to counteract inflation involves more hours and better quality of work. It has been argued that our production is at or near its practical peak and that hence no significant increase in output can be expected from an increase in hours of work.

But production is at or near its peak only relative to the actual labor conditions. With more work available, different and more productive arrangements of processes would be possible, and any shortages of equipment or raw materials that might obstruct increase of output would be quickly eliminated. At present, any suggestion of an increase in hours is sure to be

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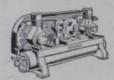
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#### N. Y. Market Buys Compressor For Big New "Walk-In" Cooler —Chooses Frigidaire

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"Our cooler is doing a lot of work nowadays but we have no fear of breakdown with Frigidaire - their equipment delivers," says Mr. Granoff. Atlantic Refrigeration Co. Inc., Brooklyn, made the installation.



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E. K. GUBIN 740 11th Street, N. W. Washington 1, D. C. styled as an attack on labor. It should be obvious, however, that under actual conditions labor would almost immediately experience an increase in the purchasing power of wages.

4. Public Finance: Curtailment of public expenditures sufficient to produce a substantial budgetary surplus is the most orthodox of all means to fight inflation. But ordinarily it is also the most difficult to adopt because no other measure encounters an equally determined opposition and because inflation inevitably increases the cost of public administration.

As a rule, effective retrenchment involves rationalization of the whole apparatus of the federal, state, and local governments and restriction of many government activities, both of which are sure to be resisted.

Worst of all, many people who pay lip service to public economy go on advocating expensive schemes for European aid, increased GI benefits, extended social insurance, housing subsidies, universal military training, education and so on without bothering to specify how they propose to finance them. However, something may be achieved with comparative ease. The importance of the recent investigation of the National Association of Manufacturers that resulted in its proposed \$31,000,-000,000 federal budget lies precisely in its having established the fact that the elimination of the wastes of war finance would suffice to produce an impressive surplus even without rationalization of normal public administration, without restrictions on normal government activities, and without renouncing some of those expensive schemes entirely-in other words, without attacking at once the really hard part of the task before us.

We are also in the position of being able to discuss tax relief against the background of a budgetary surplus. But even if we are so optimistic as to take a substantial surplus for granted—a net surplus of all public bodies, not of the federal Government alone—this question is likely to divide economists.

Many of them oppose the use of economies to reduce taxes on the ground that this would neutralize the anti-inflationary effect of these economies: what governments economize, so they argue, would then be simply spent by individuals. So far as this is true we are, it seems, left with a result that is similar to that reached in the case of credit restriction.

However necessary tax reform might be as a part of a long-run scheme of normalization, we should have to conclude that, in order to create the conditions for it, the abnormal load has to be carried until the danger of inflation is past. But how far is it true that tax relief neutralizes the anti-inflationary effects of a budget surplus?

It is true so far as the sums by which tax reduction increases disposable incomes are actually spent on consumers' goods. It is not true so far as they are saved and invested. If it were possible to canalize them into industrial investment, they would exert an anti-inflationary effect because they would finance, in a non-inflationary manner, those industrial requirements that are at present financed by the inflationary method of borrowing from banks.

This can be achieved to a considerable extent. An old proposal comes to mind. This was to exempt savings from income taxes. To reduce the rates of the corporate and individual income taxes on the saved part of corporate and individual income without creating a deficit is in fact the best way of using available surplus, not only from the standpoint of long-run considerations about capital formation, but also from the standpoint of anti-inflationary policy.

This idea shouldn't offend economists who in the 1930's advocated tax policies that were hostile to saving.

On the contrary, it should appeal to them. For if they believed that measures hostile to saving—such as the undistributed-profits tax—were indicated in a deflationary situation, they must, by the same token, expect favorable effects from opposite measures in an inflationary situation.

As regards the recent tax measure, economists are, I believe, unanimous or nearly so. If it creates a deficit, it is clearly inflationary. Even if it does not, it is at best neutral.

Relief to Europe and rearmament can only mean more taxation and not less. Tax remission in the lower income brackets is, of course, particularly dangerous. Illogical though this may seem, it will produce additional demands for increases in wages because it will first produce an additional increase in prices.

To sum up: It is not possible to stop inflation in its tracks, without creating a depression that may be too much for our political system to withstand. But it is possible to make the inflationary process die out, and in such a way as to avoid a depression of unbearable proportions.

Direct controls are futile, except as temporary measures in individual cases.

Reduction in the mass of money, by Stalin's method or by a capital levy, is out of the question.

Credit restriction is necessary to the extent indicated but not sufficient by itself. It must be supplemented by a pro-saving fiscal policy and by an attitude to public expenditures that is prepared to fight for every dollar.

If we add the proviso "except for emergencies" then all we shall achieve is that politicians will style any occasion to spend as an emergency. This attitude implies that for the time being the inflation issue should dominate national policy. Whoever else may object to this, it should not be the defender of our social system. For inflation undermines allegiance to that system, and demoralizes labor and the salaried class as does nothing else. One of the best things Lenin ever said was: "In order to destroy bourgeois society you must debauch its money.

SOME readers may welcome a few words on the question of how far the recent fall in individual prices affects the argument of this article. Two things must be distinguished:

1. Certain prices had reached levels that were far out of line with the rest. It is as easy to account for this, by the conditions peculiar to them, as it is to account for their (partial) return to the general level even though this affects the cost of living index in a way that creates the misleading impression of a fall all around.

2. In addition to this, there is a reaction of the general level itself. But this fact lends no support to the belief that "inflation is over." Such setbacks, attended by unemployment, occur in every infla-

tionary process.

The mechanism of these setbacks is not difficult to explain: it is akin to the breaks owing to profit-taking that we observe during booms on the stock exchange although, in our case, matters are not quite as simple.

The importance of the recent weakness of markets reduces to this: it affords an opportunity for carrying measures that will put a brake on inflation when pressure resumes. But that it will resume is not open to doubt although, owing to the political factor, it would be hazardous to say when.



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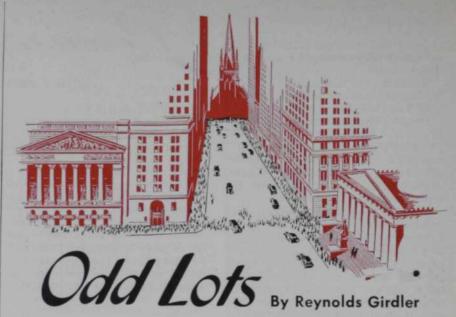
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#### Forever Texas

TEXAS put Wall Street firmly in its place the other day. The syndicate distributing the J. P. Morgan bank stock decided some of those fabulously wealthy Texans looked like good prospects for a conservative investment. They queried a Houston dealer. Back came the reply, "No interest." Asked for an explanation, the Houston dealer said, "These people down here just think the Morgan business is too far from Texas."

#### Strike Notes

IT WAS Wall Street's first experience with violence on the picket lines. Finally, brokers learned that it takes courage for loyal workers to stay on the job. The United Financial Employes (the strikers) brought in strife-hardened members of the Seafarers International Union to put knuckles into the picket lines. And all day long the chants of the pickets and their defamatory roars at loyal workers could be heard through the Street.

A financial writer spotted one picket whose technique was different. Instead of epithets, this particular picket used good-natured cajolery. Impressed, the financial writer approached him. "Say, fellow, you're good. You'll get more converts that way than by using a lead pipe."

Warmed by this praise, the picket approximated a blush of modesty. "To tell the truth," he said, "I've had a lot of experience. I've been picketing for 15 years."

It was interesting to watch individual reactions. The smaller and older the broker, the more likely he was to get belligerent. The little guys would roll against the picket lines; a watchful cop would rescue them and steer them to safety; then they would depart happy in their display of courage.

Myth is stronger than truth. A reporter covering the first day's outbreak wrote of the "derby-hatted brokers." You couldn't see one derby in the Exchange coat rooms that day. But somewhere, years ago, the reporter must have read that phrase, so "derby-hatted brokers" they were.

A picket jostled a pretty girl going into the Exchange. "Oh, excuse me," he mocked, "I thought you were my mother." The girl stared at him a moment. "No, I couldn't be your mother," she said, "you see, I'm married."

Francis Adams Truslow, Curb president, vouched for the truth of one story concerning him. Seems the head man of the Curb union stopped Truslow on the sidewalk, and apologized to him for the epithets the pickets were using on him and other Curb officials. Truslow really wasn't that bad, said the unioneer.

As the strike wore on, the Street's sense of humor gained the upper hand. Soon it gave birth to a really good story. Seems that a cop was trying to get a striker up from the sidewalk during the lie-down.

"Get up! Get up!" the policeman commanded.

"I am up," replied the striker, rising a little. "You're only up on your elbow," said the policeman. "That's not far enough."

"Well," said the striker, "that's up an eighth, and in this market that's wonderful."

#### Men of Distinction

THE American Tobacco events that rocked the advertising world found no carry-over into the company's annual stockholder meeting. (There had been rumors of a proxy fight.) But there was one amusing incident. A few stockholders were objecting to high salaries for officers. One stockholder arose who obviously had not been in this country for very long. Seriously he made his point. Referring to a dinner that, to everyone's knowledge, had been inspired by a magazine promotion, he said, "Why should we pay our officers so much money? Not one of them was included in the country's 50 leading industrialists!" Even President Riggio joined in the laughter.

#### **New Money**

U.S. INDUSTRY needs new money. And it needs to get that money through the sale of common stock, and not by going into debt or by using all its earnings.

Suggested remedies have recently come from three notable sources. First of these was an impressive statistical study issued by the New York Stock Exchange. Its chief point was the need for a revision in the tax structure. Confiscatory surtaxes and high capital gains taxes have all but eliminated the rich man, the study proves, from the ranks of the risk-takers. As if to give added point to this study, an interesting story was running around Wall Street the other day. Seems the head of a famed law firm queried each of his partners. All were men in the high income brackets. But not one had been able to put any new money into investments for the past two years. Taxes and the HCL had prevented their saving any money at all.

In Baltimore, Lucien Hooper of W. E. Hutton & Co. bobbed up with a new idea. His suggestion: require all life insurance companies to place at least ten per cent of all new premium income in equities. Such a requirement, of course, would call for some drastic changes in state laws, notably in New York.

The third suggestion came from George D. Woods of The First Boston Corporation. Woods spoke di-





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rectly to the utility industry (which needs equity capital more than any other). But over the shoulders of his listeners he was talking to a much wider audience. including the SEC. Against the economically wasteful rule requiring competitive bidding, he marshaled the facts of the dismal failures of this rule. Of these failures, his listeners were all too painfully aware. But Woods had a few words for them, too. He suggested that they consider a practice of the past: let security firms sell their common stocks on a continuing, best-efforts basis.

#### Rights

ALONG these same lines, the firm of Shields & Company has just issued a study of the results of raising new capital through underwriting issues of "rights." Briefly, this calls for a corporation to offer subscription rights to its stockholders, and for underwriters to stand by and take up any stock not subscribed for by shareholders.

This method was originated by Gene Barry of Shields, and the study embraces 65 case histories. Principal conclusions: the method has stood the test of time and varying circumstance, but underwriters must allow greater safety margins. (Where new stock was priced too close to the market, the underwriter was likely to take a loss.) The method was economical, too. Average compensation to underwriters was only 2.95 per cent of the average sales price, once again emphasizing the small profit margin on which Wall Street operates.

Actually, Wall Street's (and industry's) problem has been: how to get new capital in a period of low security prices. Given a rousing stock market, financing will proceed apace. For there's many a new issue waiting for a market. And given a good market, you can bet your bottom dollar investors will spring from all points of the compass eager to buy.

#### City Dollar Doctor

POLITICIANS, like princes, have a greater talent for spending money than for managing it wisely. So, in the depression '30's, many a city and town had to call on Townsend Wainwright to devise financial rehabilitation plans. In that period Wainwright made quite a reputation as a doctor of municipal finance.

Most cities are well off today, but

Wainwright continues busy in his firm of Wainwright, Ramsey & Lancaster, almost the only firm of its kind in the Street. Today the trend is all toward projects financed by revenue bonds. All over the United States, projects for new sewer systems, bridges, turnpikes and transit rehabilitation are afoot.

Wainwright offers a unique service. He moves in with city authorities, counsels them as to the provisions and safeguards that will make their projects financially sound, and helps them bring their revenue bonds to market so set up financially as to command a satisfactory price.

In Wainwright's opinion, riverpollution will be a thing of the past when and as cities learn how to put decontamination projects on a self-financing basis.

The social benefits of this present-day trend from the standpoint of community health are likely to be enormous.

#### Respectable

THE rise of the mutual fund, a specialized type of investment trust, is one of the latter-day phenomena of Wall Street. More than 1,000,000 people have put more than \$800,000,000 in these funds since 1940. For a time, many of the old-line firms would have nothing to do with this kind of business. They were willing to leave it to the little investment dealers in the small towns.

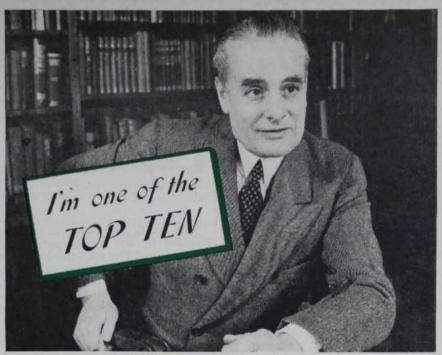
But lately the popularity and business possibilities of this type of security have been impressed on Wall Street. One by one, the big firms have been dropping in to see what this business is all about.

And now the mutual fund has obtained approval from a very high quarter, indeed. The banking house of Harriman, Ripley & Co., Inc., has recently announced that it will underwrite shares in a new mutual fund.

The mutual fund industry received this news with mixed feelings. They're human enough to like the recognition given their business. But they believe this may bring other big banking houses into their field, thus substantially increasing the amount of competition.

In this belief, they're probably right.

Originally, the investment trust was started in this country by "outsiders." But by 1929, almost every old-line firm had a trust. It could happen again.



H. ARMSTRONG WORERT

AT LAST count, this town of 33,000 population, had 76 lawyers, including me. Ten of us are members of the chamber of commerce. We like to think we are the best lawyers in town. Anyway, we are the hardest working.

When not busy with our own businesses, the chamber keeps us busy on community business. We serve on committees, we meet informally with other business and professional men to untangle tangles that maybe don't belong exactly in anyone's department. Like last winter, I spent 24 hours straight on a mixup with the county over snow removal.

We are called on to help with the legal matters of families that can't afford to hire a lawyer.

All of which is fair enough and all right with me. A little community weight on a fellow's shoulders is satisfying even without the money return, which invariably follows. More than any other one thing, my chamber of commerce work keeps me in the top ten.

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# On the Lighter Side of the Capital

#### No job was ever like this

HIS position on the White House staff, he said, made him think of the time he got a slight binge on Suisse S. Non-conformists may be interested to learn that this beverage is made on an absinthe base and until our horizons were broadened was considered pretty devilish.

"Nothing happened," he said.
"I was a perfect little gentleman all evening. Trouble was I expected a mania to break out on me.

Multiply several shots of absinthe by the members of the staff and you have, he said, a picture of what is going on within that lovely old firetrap. If a rat were to skitter across the floor, and rats have done that very thing, he would not be surprised to see the entire staff throw some hysterics. Excepting, he said, Doctors Vaughn and Graham. Their profession insulates them against the heebies.

"The Boss is an exception, too," he said. "Mr. Truman has the nervous equipment of an ox. An ox with a temper."

#### Practically perfect love

THE STAFF members, he said, are all fond of each other. As in any big office, where they all know each



other well and work together as a team. Even George Allen, even if it is hard to cackle every time he tells a new story and some-

times when it isn't just exactly new. They like Clark Clifford, too, especially since the build-up the papers gave him is beginning to tone down:

"Trouble is we are all watching each other. Afraid someone will make a mistake. Maybe you've seen a gun dog which has been peppered in the soft end with a teaspoonful of bird shot. Everytime he sees a gun he wants to lam out over the hills."

The staff, he said, has been needled by the newspapers until it is gun shy. The staff thinks it has done a pretty good job in one of the toughest spots outside of Moscow. The President thinks so, too. He isn't blaming anything that goes wrong on anyone else.

"But you know how it is-"

#### In a presidential pet

HE DOES not recall that the President ever lost his temper with any member of his staff—

"Not out loud, anyhow. We've made mistakes. Some of them have been embarrassing. But he was just like any head of a big business. A little caustic, perhaps, but never anything more than that."

But, on several occasions, he has gone to town with men who are big and important and influential and whacked on the table and said things in small words. The Boss, said the staff man, doesn't loosen up often, but when he does—oh, boy!

#### So he told a story

THE PRESIDENT is reported to have told this story. The staff member did not actually hear it as it fell from the august lips, but it sounds like the President. It has that kink of humor he enjoys:

"I was thinking," said the President to a friend, "of the time I said good-by to Joe Stalin. He shook hands very warmly:

"'Harry' he said, 'one of these days I'll be seeing you in Washington'"

The President gazed at his interlocutor with an affected air of concern.

"Now," he said, "what do you think he meant by that?"

#### Hot seats of the mighty

ONE of the judges in the District thinks he knows an omen when he sees one. Like a black cat, for instance. He thinks the day is coming

when tickets for the meetings of the Supreme Court will be in demand by the sporting element:

"Jackson," he said, "and Black are supremely courteous when they meet. Us old river men recognize that they are only tying bricks to the safety valve."

The situation is somewhat complicated by the fact that Black proposes not only to stay on the Supreme Bench but to make a name as a great jurist.

Jackson is fed up with the Court. He is of a lively disposition and enjoys the give and take of politics and independent practice. But before he goes—if he goes—he would like to nail Justice Black's hide to the barn door. Black has a bitter feeling.

The judge observed that these remarks might seem to be mildly indifferent to the majesty of the Court. But, he said, bless you, so do the justices.

#### Pop goes a precedent

THERE was a time, he said, when the Supreme Court established precedents that were practically

indestructible.
Nowadays they are only guaranteed to last until the next opinion day. The practice of the law, he said, makes him think



of that dance they call the rumba. When the dancers are not rubbing breastbones they are bumping rumps.

"In the days of the bedamned and accursed Nine Old Men the majority of the Court might have been wrong all the time. I would not venture an opinion. At least the majority knew what it was doing all the time and wrote its opinions accordingly, and law had a certain virility and surety.

"Maybe," he said, "there is nothing the matter today with the law or the Court. Maybe I am behind the times. Only I know of one case in which the same court held that the same decedent in the same will signed by the same witnesses was insane when she directed the disposition of her real estate and sane when she gave away her personal property."

The judge said someone should write a book about today's law. Someone who doesn't give a dern.

#### Handy with his rhetoric

HE WOULD suggest that Judge T. Alan Goldsborough do it. Judge Goldsborough is the jurist who

not merely pressed down the crown of thorns on John L. Lewis' head, but gave it a slight twirl as he did so. Lawyers hereabouts think that when Goldsborough refused to be by-passed by legal phrases and ruled that Lewis gave the word to the miners' union by what amounted to a code he set a precedent that might have important consequences. Goldsborough dislikes flummery, anyhow.

On one occasion two lawyers were arguing bitterly. Goldsborough held up proceedings. He asked the witness:

"Do you know what they are talking about?"

"No," said the witness.

"Neither does the court," said Goldsborough. To the lawyers he said-if the story is true-

"Talk sense."

#### Note to Mr. Isaacson

WHEN the State Department refused to grant Representative Isaacson a passport to go to Paris and take part in some kind of a pinko meeting no tremors were noted here in the District. Only one man reported to this corner that Mr. Isaacson had been outraged.

"Someone thumbed him," said this protestant, "and that isn't right. If a man is entitled to a passport under the rule then he should get it, no matter what he thinks about poor Henry Wallace or Gerald L. K. Smith."

Any manifestation of civic virtue can usually be traced to a cause. Unless, of course, it's Freudian, and the indignant citizen had nursemaids in his subconscious.

#### It did happen here

THE PROTESTANT was at one time a correspondent in London. His editor ordered him to go to

Paris, which was eminently satisfactory, but when he applied at the U. S. Embassy in London for a visa for his wife he got a cold and unshakable "No."



"Conditions in Paris are terrible. No eats, no clean sheets, inhuman crowding in the subways, the cabs are falling to pieces, the geese are on a health strike and the livers are not fit for pâté, in a word, No."

He was glooming over the necessity of leaving his wife in London when two persons entered the elevator in the Ritz. One was a young woman whose beauty was almost excessive. The other was a savage old soldier known to the correspondent. When the girl stepped out on the lobby floor the old soldier said:

"She's So-and-So's girl." He named a very rich American. "She darned near commutes between London and Paris-"

That day the American embassy visaed the passport of the correspondent's wife, under threat of a first page story in every newspaper in the States. His language in retelling the story is unfit for young

And that's why he thinks Isaacson was wronged, even if he does like Henry Wallace.

#### A hint for the S.D.

THE SENATOR seemed to find in this story of the filly and the reporter and the threatened ambassador an indication of another thing that is wrong with the State Department:

Too polite," he said. "Too nice to nice people. Still peopled with

cooky-pushers.'

No one, he observed, thought Jimmy Dunn was worth his salt. Some of his intimates knew the man, of course, but the part of the public who knew Jimmy at all thought of him as tall, dark and handsome, a devil of a man with a teacup, and trained in all parlor tricks. He was completely obscured by his courtesy.

Then he went to Italy as ambassador, talked straight goods and fast, and made a reputation. But it was a shock to his friends in the Department. They really do not

believe it yet.

#### Not a polite people

THE SENATOR maintains that we do not cherish politeness as a virtue. We are a kind and generous people, but not many of us rise when a woman enters the room. Douglas MacArthur, he said, might be the very soul of chivalry. He wouldn't know. But the story every one is telling about the general is of a recent meeting with his Russian opposite number in Tokyo. The Russian shook his fist and bellowed. MacArthur put the eye on him:

"Get out," he said. "Quick. Get out."

The rest of the story is that the Russian general invited MacArthur to dinner. The Senator does not know whether this part is true. Those who retell the story usually stop at "Get Out." We like that kind of business, said the Senator.



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# MORE DOCTORS SMOKE CAMELS THAN ANY OTHER CIGARETTE

Three leading independent research organizations asked 113,597 doctors what eigarette they smoked. More doctors named Camel than any other brand!

> R. J. Reynolds Tohacco Company Winston-Salem, North Carolina